



City of Long Beach Budget Oversight Committee

**Fiscal Year 2007
Proposed Budget**

**Report and Recommendations
to the City Council**

September 5, 2006

Laura Richardson, Chair
6th District Councilwoman

Gary DeLong, Vice Chair
3rd District Councilmember

Patrick O'Donnell, Member
4th District Councilmember

***CITY OF LONG BEACH PROPOSED FISCAL YEAR 2007 BUDGET
BUDGET OVERSIGHT COMMITTEE REPORT AND RECOMMENDATIONS
SEPTEMBER 5, 2006***

THIS PAGE LEFT INTENTIONALLY BLANK

TABLE OF CONTENTS

I.	BUDGET OVERSIGHT COMMITTEE TRANSMITTAL LETTER	PAGE 1
II.	EXECUTIVE SUMMARY	PAGE 3
III.	CITY OF LONG BEACH FINANCIAL POLICIES	PAGE 5
IV.	STATUS OF FY 06 RECOMMENDATIONS	PAGE 9
V.	DISCUSSION OF FY 07 RECOMMENDATIONS	PAGE 13
VI.	RECOMMENDATIONS FOR FUTURE CONSIDERATION	PAGE 21
VII.	RECOMMENDED ACTIONS	PAGE 23

***CITY OF LONG BEACH PROPOSED FISCAL YEAR 2007 BUDGET
BUDGET OVERSIGHT COMMITTEE REPORT AND RECOMMENDATIONS
SEPTEMBER 5, 2006***

THIS PAGE LEFT INTENTIONALLY BLANK

I. BUDGET OVERSIGHT COMMITTEE TRANSMITTAL LETTER

September 5, 2006

Honorable Mayor and City Council
Long Beach, California

Dear Colleagues:

The City of Long Beach Budget Oversight Committee (BOC) is pleased to transmit a summary of our progress and recommendations regarding the Fiscal Year 2007 (FY 07) Proposed Budget for your consideration.

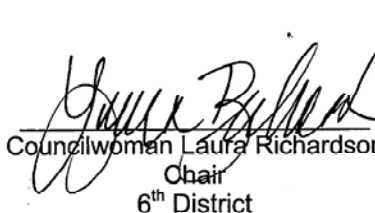
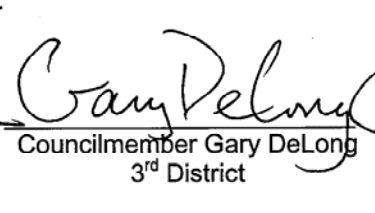
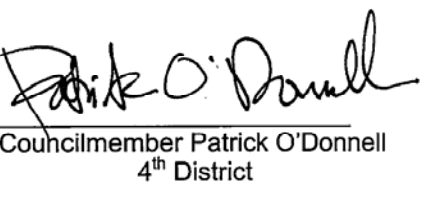
In accordance with the original Financial Strategic Plan that was endorsed by the City Council in 2003, the BOC has continued to explore and develop the means both to stabilize the City's current fiscal situation and to ensure its future solvency. Ten separate meetings were held from February 2006 – August 2006, to discuss a variety of issues impacting the City's budget. Although the journey has been, and will continue to be arduous, we are pleased that the combined efforts of the City's elected officials, staff and the community have brought the goal of completely eliminating the City's structural deficit to fruition.

A special acknowledgement is in order for the former founding members who served on this committee, Councilwoman Jackie Kell and Councilwoman Tonia Reyes Uranga, and to Suzanne Mason, Mike Killebrew, and other City staff for their thoroughness and openness in discussing a complex subject that thwarted the City of Long Beach's impending financial crisis.

As we look forward, there are many possible options to consider to maintain the fiscal stability achieved over the past three years. By considering the possibilities without prejudice, we believe all viable solutions will receive due consideration as the City Council adopts the FY 07 budget.

We acknowledge the difficult and potentially controversial nature of some of the recommendations we are asking you to implement. However, we believe that by taking measured and well-considered actions now, we are declaring and ensuring that "fiscal responsibility" will continue to be the City's watchword now and in the future.

Sincerely,

		
Councilwoman Laura Richardson Chair 6 th District	Councilmember Gary DeLong 3 rd District	Councilmember Patrick O'Donnell 4 th District

THIS PAGE LEFT INTENTIONALLY BLANK

II. EXECUTIVE SUMMARY

Since, the Budget Oversight Committee (BOC) fills a year-round role in advising the full City Council on budget-related issues, we examine in detail the City Manager's proposed funding recommendations in the annual budget, as well as formulate our own recommendations. In 2006 the BOC continued its aggressive pace by holding ten public meetings and reviewing hundreds of budget-related documents. The BOC activities and the Fourth Annual Budget Summit fostered an environment that encouraged fiscally responsible actions that are consistent with the City Council's goals and community expectations. Fiscal oversight from the BOC is a critical step in the budget adoption and implementation process, in that it provides time necessary for the City's elected body to explore details of the City's finances, and completes the cycle of stakeholder involvement that includes the community, City staff, employees and elected officials.

The BOC agrees with the general direction of the FY 07 Proposed Budget and commends the City Manager for providing the first structurally balanced budget in over 20 years. This report identifies additional recommendations for the City Council's consideration and inclusion in the FY 07 Adopted Budget.

The primary objective of this report is to share the findings of the BOC's 8-month discussion about the City's finances and to transmit recommendations that would enable the delivery of a balanced budget, as well as protect core services and programs that reflect the priorities of Long Beach residents, businesses and the City Council now and into the future.

THIS PAGE LEFT INTENTIONALLY BLANK

III. CITY OF LONG BEACH FINANCIAL POLICIES

The City Council adopted the following Financial Policies in September of 2003 as part of the Financial Strategic Plan Implementation. On July 11, 2006, upon the BOC's recommendation, the City Council adopted a revised policy on User Fees and Charges as reflected below. The BOC strongly believes in the importance of the Long Beach Financial Policies. All budget related recommendations included in this report are made in accordance with the policies listed below.

1) Structurally Balanced Budget

The annual budgets for all City funds will be structurally balanced throughout the budget process. Recurring revenue will equal or exceed recurring expenditures in both the Proposed and Adopted Budgets. If a structural imbalance occurs, a plan will be developed and implemented to bring the budget back into structural balance.

2) Report on How the Budget is Balanced

The City Manager will include in the narrative transmitting the Proposed Budget a concise discussion on how the proposed budget is balanced. If the structural balance changes between the Proposed and Adopted Budgets, the City Manager will clearly delineate the changes and the resulting structural balance in the Adopted Budget.

3) General Fund Reserves

The City shall maintain an Emergency Reserve equivalent to 10 percent of General Fund recurring expenditures and an Operating Reserve equivalent to 10 percent of General Fund recurring expenditures. If these reserves are used, a plan will be developed and implemented to replenish the funds used.

4) Use of One-Time Resources

Once the General Fund budget is brought into structural balance, one-time resources such as proceeds from asset sales, debt refinancing, one-time grants, revenue spikes, budget savings and similar nonrecurring revenue shall not be used for current or new ongoing operating expenses. Appropriate uses of one-time resources include establishing and rebuilding the Emergency Reserve and the Operating Reserve, early retirement of debt, capital expenditures and other nonrecurring expenditures.

5) Use of New Discretionary Revenue

Once the General Fund budget is brought into structural balance, a minimum of 10 percent of all new (ongoing) discretionary revenue will be devoted to capital projects including deferred maintenance and infrastructure needs.

6) Accounting and Financial Reporting

The City will conform to Generally Accepted Accounting Principles as promulgated by the Governmental Accounting Standards Board (GASB). Reporting will include the following:

- Interim Financial Reports: staff will prepare monthly reports for the City Council that analyze and evaluate financial performance.
- Red Flag Exceptions: The City Manager shall advise the City Council of troubling and/or positive financial information including an assessment of the impact on the City budget and financial condition. Thresholds for this reporting include:
 - Whenever a major expenditure exception occurs that will impact a fund's expenditure budget by one percent or totals over \$500,000; or
 - Whenever a major revenue exception occurs that will impact a fund's revenue budget by one percent or totals over \$500,000.

7) User Fees and Charges

The City of Long Beach is empowered to recapture, through fees, up to the full cost of providing specific services. Regular and consistent review of all fees is necessary to ensure that the costs associated with delivery of individual services have been appropriately identified, and that the City is fully recovering those costs. It is the City's policy to set user fees at full cost recovery levels, except where a greater public benefit is demonstrated to the satisfaction of the City Council, or when it is not cost effective to do so.

8) Grants

City staff will seek out, apply for and effectively administer federal, state and other grants that address the City's priorities and policy objectives and provide a positive benefit to the City. Before any grant is pursued, staff shall provide a detailed pro-forma that addresses the immediate and long-term costs and benefits to the City.

9) Long-Term Financial Plan

Each year, staff shall develop a Long-Term Financial Plan that forecasts operating expenditures and revenue for the next three to five years and capital expenditures and revenue for the next seven years. The Long-Term Financial Plan will be updated prior to the start of the annual budget process. As part of the budget message, the City Manager will advise the City Council of potential long-term positive and adverse trends along with his or her analysis of the trends. The Long-Term Financial Plan will include, but not be limited to, an analysis of such factors as:

***CITY OF LONG BEACH PROPOSED FISCAL YEAR 2007 BUDGET
BUDGET OVERSIGHT COMMITTEE REPORT AND RECOMMENDATIONS
SEPTEMBER 5, 2006***

- Economic Growth Rates
- Retail Sales Activity
- State of California Revenue and Expenditure Impacts
- Census Data
- Residential Development Activity
- Industrial Activity
- Demographic Changes
- Legal and Regulatory Changes
- The costs that are deferred or postponed until the future
- The full ongoing impacts of grants
- The future costs of PERS
- The accumulation of benefit liabilities
- The costs of new programs that are not fully funded
- The difference between ongoing and one-time expenses and revenue
- The operating costs associated with capital improvement projects
- The impact of demographic and economic changes on services, revenue and program costs
- Analyze financial trends
- Assess problems and opportunities facing Long Beach
- Identify alternative strategies needed to address the issues
- Develop long-term forecasts and revenue and expenditures using alternative economic, planning and policy assumptions

10. Debt Issuance

General Fund long-term debt payments shall not exceed 10 percent of operating expenditures. In addition, the City shall not issue long-term (over 1-year) General Fund debt to support operating costs. All General Fund debt issuances shall identify the method of repayment (or have a dedicated revenue source).

THIS PAGE LEFT INTENTIONALLY BLANK

**CITY OF LONG BEACH PROPOSED FISCAL YEAR 2007 BUDGET
BUDGET OVERSIGHT COMMITTEE REPORT AND RECOMMENDATIONS
SEPTEMBER 5, 2006**

IV. STATUS OF FY 06 RECOMMENDATIONS

As part of the adoption of the FY 06 Budget, the BOC made several recommendations to further the progress made to restore sustainability in Long Beach. The results shown in the matrix below demonstrate that the City is served well by having its policy leaders involved in the detailed budget discussions. This report provides a detailed listing of all FY 06 BOC recommendations along with their current status.

	Recommendation	Current Status	Recommended Future Steps
1	Recommend the City Council adopt the proposed updated Financial Strategic Plan.	Adopted by Council 9/13/05	Completed
2	Recommend reaffirmation of existing City Financial Policies.	Adopted by Council 9/13/05	Completed
3	Support the City Manager's proposed enhancements related to Public Safety, Infrastructure, Community Planning, Litter and Graffiti abatement and other quality of life issues, which have been identified as core services, community priorities and/or as Mayor and City Council priorities.	Adopted by Council 9/13/05	Completed
4	Support the fee increases and adjustments proposed by the City Manager and Board of Water Commissioners.	Adopted by Council 9/13/05	Completed
5	Recommend implementation of Phase II of the Citywide Fee Study to further reduce the structural deficit.	City Council adopted a revised Financial Policy on User Fees and Charges on July 11, 2006. The revised policy ensures the eventual full cost recovery for fee-based services unless a public benefit can be demonstrated to justify an ongoing subsidy.	Completed
6	Recommend completion of research and recommendation for revenue generating ballot initiatives to the City Council.	Presentation made to the City Council on May 23, 2006. Joint presentations by Long Beach Police, Fire and Library Services were conducted for community groups during the spring and summer. On August 1, 2006, the City Manager delivered a final report on outreach regarding potential November 2006 ballot initiatives.	Completed
7	Concur with the Mayor's recommendation to include funding for educational programming and services to youth in the Library Department.	Adopted by Council 9/13/05	Completed
8	Concur with the Mayor's recommendation to include funding for the Municipal Band, specifically, <i>"Recommend that the Municipal Band Concerts be returned to an eight-week schedule, to possibly include performances in districts currently not represented. We encourage the pursuit of private sponsorships for these popular events, as well as recommend that the City Manager pursue funding from non-General Fund sources."</i>	Per the BOC and Mayor's recommendations, non-General Fund sources will be used to fund the return of an 8-week Municipal Band summer concert season as well provide district-based performances.	Completed

**CITY OF LONG BEACH PROPOSED FISCAL YEAR 2007 BUDGET
BUDGET OVERSIGHT COMMITTEE REPORT AND RECOMMENDATIONS
SEPTEMBER 5, 2006**

	Recommendation	Current Status	Recommended Future Steps
9	Concur with the Mayor's recommendation to include funding for Fourth of July Fireworks, specifically, <i>"Recommend the reinstatement of the City's support for an annual Fourth of July fireworks show, displayed off our coastline at a location to be determined by the City Manager, and to be funded from non-General Fund sources."</i> The BOC recommends the pursuit of private sponsorships as well.	Adopted by Council 9/13/05	Completed
10	When considering City Council budget concerns, program restoration must be considered only when offsetting funds have been identified.	At the request of the City Council, the Library Youth Program and PAL were restored in FY 06 with offsetting funds.	Completed
11	Concur with the City Manager's recommended reviews and optimization efforts for FY 06 including the Youth Services Master Plan, Information Technology, Health Insurance, Parking Management, Fleet Parts, Communication and Marketing, Messenger and Mail Services, and Custodial Services .	Presentation made to the BOC on May 16, 2006 on completed and ongoing optimization efforts.	Completed
12	Recommend implementation of Parking Optimization results.	Community Development presented an update on the Parking Optimization Study to the BOC on May 16, 2006. An overview of the Citywide parking meter rates and parking management issues was brought to the BOC at the June 2, 2006 work session.	Completed
13	As mentioned in the Clarion Study and proposed by Councilmember Lerch and Redevelopment Agency Boardmember Bill Baker, the BOC concurs in requesting the Redevelopment Agency consider taking the Port Area Property Tax Increment assigned to the North Long Beach Redevelopment Project Area and transfer it to the City for general City purposes.	For FY 06, the City received a transfer from the Redevelopment Agency to support police services in the downtown entertainment zone in the amount of \$905,000 and \$395,000 toward the structural deficit. As part of the Mayor's FY 07 Budget recommendations, an updated calculation of the Port-area TI should be considered regarding the growth in overall property valuations and future transfers.	Included as part of the BOC FY 07 Recommendations
14	Recommend the City Council request the Redevelopment Agency to develop a repayment schedule for outstanding loans.	After a one year delay of of no action, staff proposed a presentation on RDA debt owed to the General Fund which was presented to the BOC on April 18, 2006 and on July 11, 2006. A staff-proposed repayment schedule was adopted by the RDA Board on August 21, 2006.	The BOC FY 07 propose an alternative repayment schedule in its recommendations.

**CITY OF LONG BEACH PROPOSED FISCAL YEAR 2007 BUDGET
BUDGET OVERSIGHT COMMITTEE REPORT AND RECOMMENDATIONS
SEPTEMBER 5, 2006**

	Recommendation	Current Status	Recommended Future Steps
15	Recommend the City Manager and staff focus greater attention on achieving increased contracting-in opportunities and utilization of our workforce capacity to generate revenue.	A presentation was made to the BOC on Contracting-In Services on July 11, 2006.	Recommend the City Manager identify existing staff be dedicated to performing a detailed contracting-in, marketing and capacity analysis and implement findings in FY 07.
16	Recommend that the restoration of the sixth day of operation at the Main Library be a funding priority when other programs are considered for restoration.	Curtailed library hours are still in effect during FY 06 pending the identification of additional resources.	Concur with the Mayor's recommendation to use \$1.3 million in Proposed FY 07 structural surplus to restore library hours. Also, funding sources should be sought and identified to fully fund library services at levels recommended by the City Manager through the Long Beach Challenge.

THIS PAGE LEFT INTENTIONALLY BLANK

V. DISCUSSION OF FY 07 RECOMMENDATIONS

During the year, the BOC met to prepare for and discuss the FY 07 Budget. These meetings resulted in the following recommendations that will be discussed in detail below:

1) Recommend the City Manager identify existing staff to be dedicated to performing a detailed contracting-in marketing and capacity analysis and implement findings in FY 07

As defined in previous City Council discussions, contracting-in refers, in general, to the provision of services to other agencies and cities by the City of Long Beach. A spirit of entrepreneurship often drives contracting-in initiatives, but the capacity to provide these services ensures their success. Success can then be measured by having additional resources to expand services, through which fixed costs can be distributed, and upon which the City can draw upon as backup in cases of emergency.

The City of Long Beach currently contracts-in services that have averaged approximately \$18.2 million in revenue for the last three fiscal years (2004-2006) in all funds. This amount, however, includes \$12.1 million received for the provision of refuse services (\$9.3 million), gas services to select cities/areas (\$2.5 million) and water services to select areas (\$326,000).

The remaining \$6.1 million of the \$18.2 million in revenue is received for the provision of various services to other agencies and cities. The highest revenue generator is the Police Department with approximately \$2.9 million in revenue received for providing security services to the Long Beach Community College and other areas, policing services to Long Beach Transit and Los Angeles County's Carmelitos Housing Development, and other services to Federal, State and regional agencies. The Parks, Recreation and Marine Department generates approximately \$700,000 in revenue for providing after school programs to the Long Beach Unified School District and for debris removal on beaches and marinas for Los Angeles County. Other revenue generators include the Departments of Public Works, Health and Human Services and Technology Services.

In order to achieve increases in contracting-in revenue, the City will need to conduct a capacity analysis of City departments, as contracting-in is only a viable endeavor if the City has excess capacity through which contracting-in will help mitigate existing fixed costs. This analysis will evaluate the current services being provided to other agencies and cities and their cost methodologies and billing systems. This analysis will also entail determining each department's ability to handle additional workload to provide outside services. Departments' current productive labor hours would also need to be analyzed to determine the availability, if any, of excess productive hours that can be used to provide additional services to other cities and agencies.

A Marketing Plan is an essential document for a large organization planning to market a new or existing product or service. The development of a marketing plan would ensure that any direction and rationale to offer services to other agencies or cities would be focused and comprehensible. Essentially the Marketing Plan:

- Induces the City's marketing staff to look externally in order to fully understand the market in which they operate
- Assesses the entity's ability to successfully deliver services being marketed
- Sets future goals and provides direction for marketing efforts that everyone within the organization should understand and support
- Can be a key component in obtaining funding to pursue new initiatives
- Identifies cities that might also conduct meetings that would explore the benefits of City of Long Beach services

The City should also leverage existing relationships that current elected officials as well as executive leaders have with other local cities to increase the possibility of contracting-in opportunities.

To complete the capacity analysis, Marketing Plan and to leverage existing relationships to maximize contracting-in opportunities, the BOC recommends the City Manager identify existing staff to lead this effort for the City.

- 2) **Recommend the City Council approve the BOC agreed upon Redevelopment Agency Repayment Schedule of loans from the City as part of the FY07 budget adoption; and, Recommend that North Redevelopment Property Tax Increment generated by port district assets continue to be shared for general City purposes in accordance with the Clarion Study**

Loans:

The City loaned the Redevelopment Agency's Downtown Project Area (Downtown RDA) grant monies, in lieu of using those funds to serve neighborhood needs, in order to develop a vital downtown. Those loans now amount to \$85 million, including interest. These loans from the City were established to fund investments in redevelopment areas and to assist the RDA in amassing debt needed to qualify to receive property tax increment revenue. In addition to the loans to the Downtown RDA, the City also loaned money to the Poly High and Central Project areas.

In last years (2005 –2006) BOC recommendations to the City Council, it was recommended that the RDA develop a repayment schedule for its loans to the City. On August 21, 2006, the RDA adopted a staff prepared repayment schedule after multiple requests for the Downtown RDA loans that would commence in FY 08 (not FY 07), based on the amount generated by the Pike Project, which is estimated to be approximately \$700,000 in FY 08. The BOC was concerned that the repayment schedule was put off for a second consecutive year, and hereby recommends that the payments begin in FY 07 at \$500,000, increased to \$1,000,000 in FY 08, and then increased each year thereafter by another \$125,000. This recommendation is intended to establish a plan for repayment, with the full understanding that

repayments must be approved each year by the RDA board and City Council. Please see **Attachment E** for Repayment Schedule.

North Redevelopment Area (North RDA)- Port District Property Tax Increment

In FY 06, separate from the loans mentioned above and in accordance with the Clarion Study, the North RDA began sharing \$1.3 million with the City the net property tax increment derived from assets located in the Port District (North RDA Net Port TI). As the RDA is precluded by law from simply transferring any property tax increment to the City, the sharing of the initial \$1.3 million of North RDA Net Port TI was accomplished by having North RDA pay some of Central RDA's housing set-aside; this action freed up Central RDA funds to repay some of Central RDA's loan from the City.

In his FY 07 Budget Recommendations, the Mayor proposes to utilize the \$2 million increase in Port TI (now estimated to total \$3.3 million in FY 07) to initiate replacement of some of the City's fire stations, thus reducing the General Fund's need to fund such projects. The BOC recommends the City Council adopt a policy to request that this North RDA Net Port TI continue to be dedicated to general City purposes.

3) Recommend the City Manager pursue the following initiatives, based on Employee Innovation Team Implementation proposals:

- **Create a Revenue Collection Enforcement Team that is charged with maximizing revenue collection**

A Revenue Collection Enforcement Team would begin an immediate review of the City's revenue streams, identifying instances where service delivery is being subsidized, implementing the changes recommended by the new Fee Study, recognizing departments that meet revenue targets, and developing incentive and performance structures for accountability by departments. This team would also implement an Action Plan that consists of four phases to show results early, set up a revenue tracking system, create a comprehensive revenue manual, and make revenue policy recommendations.

- **Expand the cost recovery program for law violators to all impacted departments with recurring costs**

The following are both in the California Government Code and in the City of Long Beach Municipal Codes relating to emergency response cost recovery for violations.

California Government Codes

53151. Any person who is under the influence of an alcoholic beverage or any drug, or the combined influence of an alcoholic beverage and any drug, whose negligent operation of any boat or vessel caused by that influence proximately causes any incident resulting in an appropriate emergency response, and any

person whose intentionally wrongful conduct proximately causes any incident resulting in an appropriate emergency response, is liable for the expense of an emergency response by a public agency to the incident.

53154. The expense of an emergency response shall be a charge against the person liable for expenses under this article. The charge constitutes a debt of that person and is collectible by the public agency incurring those costs in the same manner as in the case of an obligation under a contract, expressed or implied, except that liability for the expenses provided for in this article shall not be insurable and no insurance policy shall provide or pay for the expenses.

53155. In no event shall a person's liability under this article for the expense of an emergency response exceed twelve thousand dollars (\$12,000) for a particular incident.

City of Long Beach Municipal Codes

2.97.010 Definitions - "Expense of an emergency response" means those costs incurred by the city of Long Beach in making any appropriate emergency response to the incident, and shall be comprised of all costs directly arising because of the response to the particular incident, including, but not limited to, the costs of providing police, firefighting, rescue, and emergency medical services at the scene of the incident, as well as the salaries of the personnel responding to the incident. (Ord. C-6428 § 1 (part), 1987).

2.97.020 Emergency response cost recovery program - Pursuant to the authority vested in the city of Long Beach by state statute, each person who is under the influence of an alcoholic beverage or any drug, or the combined influence of an alcoholic beverage and any drug, whose negligent operation of a motor vehicle, boat, vessel, or aircraft caused by that influence proximately causes any incident resulting in an appropriate emergency response, or whose intentionally wrongful criminal act proximately causes any incident resulting in appropriate emergency response, shall pay to said city the expense of such an emergency response. In no event shall a person's liability under this chapter exceed the maximum allowable under state statute, and all costs assessed pursuant to this chapter 2.97 shall reasonably relate to the actual cost of the expense incurred by the city. (Ord. C-6428 § 1 (part), 1987).

2.97.030 Collection of costs - The expense of an emergency response shall be charged against the person liable for the expenses under this chapter. The charge constitutes a debt of that person to the city of Long Beach, and is collectible by said city in the same manner as in the case of an obligation under a contract, expressed or implied. (Ord. C-6428 § 1 (part), 1987).

At this time, the Long Beach Police Department currently provides the Department of Financial Management with expenses attributed to violations in the Long Beach Municipal Code. This recommendation is to ensure that all impacted departments bill for full cost recovery in applicable cases.

- **Develop safety programs and preventative measures that provide incentives for reducing Workers' Compensation costs**

There is currently no system in place to reward departments for decreasing accidents and associated Workers' Compensation costs in the workplace. Departments should develop safety programs and preventative measures that provide incentives to employees for reducing Workers' Compensation costs. The possible options stemming from this recommendation are:

- Enhance effectiveness of the current Larry C. Larson Safety Award
- Establish a mini Larry C. Larson Safety Award Program in each department
- Expand team version of the "Caught in the Act" inspection award
- Establish a "Totally Trained Team" 100% training compliance award

4) Recommend support of the City Manager's proposed fee increases using the full-cost methodology developed through the fee study, in support of the City Council's newly adopted fee policy

Fulfilling the BOC's recommendation, the City of Long Beach engaged the Public Resource Management Group (PRM) to review its user fees and charges. PRM was charged with determining the full cost of fee-related services and providing the City with information regarding best practices and industry conventions.

The first phase of the study was designed to identify fees that are significantly below estimated reasonable costs. This study was presented to the BOC during its 2005 budget workshops, and fee increases were approved by the City Council on August 2, 2005 as well as through the FY 06 Adopted Budget. The total estimated annualized revenue from Phase 1 fee adjustments is \$1,239,000, which was used to reduce the structural deficit.

The second phase of the study was designed to review fees in more detail and on an individual basis. Phase II established a methodology to quantify costs of services delivered related to each fee. The City will be able to use a generally accepted methodology when setting and adjusting fees or service levels related to those fees.

To further demonstrate their commitment to fiscal responsibility and leadership, at the BOC's recommendation, the City Council adopted an amended Financial Policy on *User Fees and Charges* on July 11, 2006 stating:

"The City of Long Beach is empowered to recapture, through fees, up to the full cost of providing specific services. Regular and consistent review of all fees is necessary to ensure that the costs associated with delivery of individual services have been appropriately identified, and that the City is fully recovering those costs. It is the City's policy to set user fees at full cost recovery levels, except where a greater public benefit is demonstrated to the satisfaction of the City Council, or when it is not cost effective to do so."

In a direct move toward full compliance with this Financial Policy, the City expects to recoup Citywide an additional \$5.5 million in fees for service in FY 07, of which approximately \$1.4 million are in the General Fund. While it would neither be possible nor advisable to increase all fees to 100 percent cost recovery in a single year, the City has committed to, and the BOC supports, adjusting its fees at a measured pace over the next 2-3 years to eliminate subsidies that are not deemed to provide a greater public benefit.

5) Recommend the City Manager present recommendations to the City Council from the Parking Optimization Study regarding current rates, and develop a Citywide parking strategy that would include meters, structures and lots.

A preliminary survey of existing citywide parking assets, issues, and needs is being conducted by the Parking Operations Officer. Staff has been actively involved in addressing operational issues at some of the City's parking locations and has made an immediate impact. Continued operational changes will be addressed to create a positive parking experience for visitors of City attractions (Pine, Pike, Aquarium). Additional parking system improvements and recommendations that focus on the previously completed optimization studies will be developed and discussed by this new Parking Committee before full implementation to ensure staff's plans are aligned with the impacted community.

6) Recommend the development of multi-year financial strategies and priorities to address critical unmet City Infrastructure and Public Safety needs such as:

- **One Time Revenue/Expenditures**
 - a. **Streets, alleys, sidewalks, curbs, street drainage and potholes;**
 - b. **Fire and Police Facilities;**
- **On-Going Revenue/Expenditures**
 - a. **Police Officer Recruitment and Retention; and**
 - b. **Library Programs, services and hours of operation.**

The City's 100+ year old infrastructure has long been overlooked to allow for program and service enhancements. Due to deferred maintenance, many facilities and streets are in a deteriorated state, some on the brink of failure. The City needs to make immediate preventive maintenance and repair investments in streets, alleys, sidewalks, street drainage, potholes and facilities, etc. to avoid greater replacement costs in the future.

The BOC recommends that any available unallocated one-time revenues in FY 07 be used to fund infrastructure repair in FY 07. Also, a financial strategy should be developed, including but not limited to a bond issue, to address this critical infrastructure need for the future.

As the Mayor addressed in his FY 07 Budget recommendations presented to the City Council on August 15, 2006, a trend has emerged of specialty trained Police Officers leaving Long Beach and transferring to other municipalities. The BOC recommends that financial strategies be addressed to solve recruitment and retention issues in this area as well.

Lastly, while the BOC supports the Mayor's use of \$1.3 million in structural surplus and \$400,000 in available one-time resources toward Library hours, homework help and materials restoration, the BOC concurs with the goal to identify additional resources that would provide the necessary funds to make our Library system a truly state-of-the-art resource for the entire community.

7) Recommend the City Manager and City Council evaluate potential April 2008 tax measures and other revenue opportunities during FY 07, including, but not limited to:

- **Fee Based Revenue Generating Options not Requiring a Vote of the Public**
 - a. **Container Fee**
 - b. **Rental Car Fee**
- **Non-resident Tax Generating Options**
 - a. **Oil Production**
 - b. **Transient Occupancy**
- **Local Resident and Business Tax Generating Options¹**
 - a. **Local Parcel**
 - b. **Mello Roos**
 - c. **Parking Lot**

In 2005, the City Council supported the BOC's research of revenue generating options. At the recommendation of the BOC, the City Council directed the City Manager to conduct research regarding community priorities and the feasibility of various revenue generating ballot measures. Although the BOC agrees with City staff that November of 2006 is not the ideal time to place a tax initiative on the ballot, the BOC concurs with the Mayor regarding the reconsideration of efforts for 2007 or

¹ Proposition 218 requires a two-thirds popular vote at either a special or general election for any tax whose proceeds are designated in advance for a particular use.

In contrast, a tax that would generate revenue that is not designated or restricted in its use can be approved with a simple majority voter approval, but can only be conducted during a general election.

A possible alternative to obtain a tax for a specific use and that only requires a majority vote would be to have a general tax measure on the same ballot with a non-binding advisory measure, the latter of which would indicate the voters' preference for how the general tax revenues should be spent. However, the City would not be legally required to spend the revenues in accordance with the voters' preference.

***CITY OF LONG BEACH PROPOSED FISCAL YEAR 2007 BUDGET
BUDGET OVERSIGHT COMMITTEE REPORT AND RECOMMENDATIONS
SEPTEMBER 5, 2006***

2008, to include funding alternatives to enhance police patrol, fire response, library services and infrastructure.

The BOC has begun collecting information on the various discussions of a Container Fee by Senator Lowenthal SP 760², SCAG and others in light of the impact of the Port of Long Beach on the community as a whole. Please see **Attachment A and B** for a summary of completed Container Fee research and the City Attorney's responses to BOC questions, respectively.

Likewise, information has also been collected concerning the Oil Production, Parking, Transient Occupancy, Parcel and Sales tax. Please see **Attachment C** to review previously conducted BOC research on these revenue generating opportunities.

² The United States Supreme Court has held that a local government cannot impose an ad valorem tax on containers for general revenue purposes. The City Attorney has also previously advised the Committee that state and local governments can impose service fees and impact fees. Service fees and impact fees must not exceed the estimated cost of the service of impact or they may be found to be taxes imposed for revenue purposes, which are subject to more stringent constitutional constraints.

In the Harbor District, the Board of Harbor Commissioners has exclusive jurisdiction to impose fees for harbor services and impacts. The Board imposes many different fees, including those for pilot services, docking facilities and wharf facilities. Some of these fees are assessed on a per-container basis. The Harbor Department also passes along to harbor-users harbor-related costs incurred by other City departments, including Police and Fire.

VI. RECOMMENDATIONS FOR FUTURE CONSIDERATIONS

While this report focuses on immediate recommendations for FY 07, there are several issues that require further research and discussion by the BOC before recommendations to the City Council can be made. These include:

- 1) Develop financial strategies to address future liabilities, as identified in the City Manager's Proposed Financial Strategic Plan including annual costs for:
 - Negotiated increase to bring police personnel to the median of the City's comparable agencies (\$10-\$15 million)
 - Fire and non-sworn personnel negotiations (\$1.5 million per additional 1 percent growth in salaries)
 - City Hall seismic retrofit (\$3.5 million – early estimate)
 - Annual set-aside for GASB 45 retiree healthcare liabilities (\$2.5 million)

With these reoccurring annual costs on the horizon, the City must continue to take a fiscally prudent approach when making decisions about the use of available General Fund resources, especially structural resources.

- 2) Evaluate and develop financial strategies to address critical unmet City infrastructure needs.
- 3) Continue further discussions of outstanding resident, employee and Innovation Team recommendations.
- 4) Review the progress of the Focus on Results (FOR) Long Beach performance management efforts.
- 5) Review and update the City Council Stated Priorities to ensure they reflect the community's needs and include "Reduce poverty in the City of Long Beach".
- 6) Evaluate and develop long-term financial mechanism to increase the Arts Council budget.
- 7) Evaluate and develop long-term financial mechanism to reinstate the Employee Tuition Reimbursement Program.
- 8) Review the proposed items for consideration submitted by Councilwoman Schipske (**Attachment D**).

THIS PAGE LEFT INTENTIONALLY BLANK

VII. RECOMMENDED ACTIONS

It is respectfully requested that the City Council approve the FY 07 Proposed Budget, with the following recommendations:

- 1) Recommend the City Manager identify existing staff to be dedicated to performing a detailed contracting-in marketing and capacity analysis and implement findings in FY 07;
- 2) Recommend the City Council approve the BOC agreed upon Redevelopment Agency Repayment Schedule of loans from the City as part of the FY 07 budget adoption; and, Recommend that North Redevelopment Property Tax Increment generated by port district assets continue to be shared for general City purposes in accordance with the Clarion Study;
- 3) Recommend the City Manager pursue the following initiatives, based on Employee Innovation Team Implementation proposals:
 - a. Create a Revenue Collection Enforcement Team that is charged with maximizing revenue collection;
 - b. Expand the cost recovery program for law violators to all impacted departments with recurring costs; and
 - c. Develop safety programs and preventative measures that provide incentives for reducing Workers' Compensation costs.
- 4) Recommend support of the City Manager proposed fee increases using the full-cost methodology developed through the fee study, in support of the City Council's newly adopted fee policy;
- 5) Recommend the City Manager present recommendations to the City Council from the Parking Optimization Study regarding current rates, and develop a Citywide parking strategy that would include meters, structures and lots;
- 6) Recommend the development of multi-year financial strategies and priorities to address critical unmet City infrastructure and Public Safety needs such as:
 - One Time Revenue/Expenditures
 - Streets, alleys, sidewalks, curbs, street drainage and potholes;
 - Fire and Police Facilities;
 - On-Going Revenue/Expenditures
 - Police Officer Recruitment and Retention; and
 - Library Programs, services and hours of operation.

***CITY OF LONG BEACH PROPOSED FISCAL YEAR 2007 BUDGET
BUDGET OVERSIGHT COMMITTEE REPORT AND RECOMMENDATIONS
SEPTEMBER 5, 2006***

- 7) Recommend the City Manager and City Council evaluate potential April 2008 tax measures and other revenue opportunities during FY 07, including but not limited to:
 - Fee Based Revenue Generating Options not Requiring a Vote of the Public
 - Container Fee
 - Rental Car Fee
 - Non-resident Tax Generating Options
 - Oil Production
 - Transient Occupancy
 - Local Resident and Business Tax Generating Options
 - Local Parcel
 - Mello Roos
 - Parking Lot
- 8) Evaluate and develop long-term financial mechanism to address the on-going graffiti removal program.
- 9) Recommend reaffirmation of existing City Financial Policies, as amended;
- 10) Support the City Manager's proposed enhancements related to Infrastructure and other quality of life issues, which have been identified as core services, community priorities and/or as Mayor and City Council priorities;
- 11) Support the fee increases and adjustments proposed by the City Manager and Board of Water Commissioners.

DATE August 18, 2006

TO Honorable Laura Richardson, Chair
Budget Oversight Committee

FROM Carl A. Kemp, Director of Community Relations and Government Affairs

SUBJECT Summary of Container Fee Proposals

Per your request, the following is an addendum to the memo and comprehensive packet related to container fee proposals submitted to the Budget Oversight Committee on July 10, 2006.

The following are short summaries for your information. Attached you will find one page summaries of each proposal, with the exception of the Governor's Goods Movement Action Plan. This plan did not contain specific container fee recommendations and has therefore been excluded.

SB 760 (Lowenthal)

This is a two-year bill calling for a \$30 per TEU "regulatory" fee (\$60 per FEU) on each shipping container processed in the ports of Los Angeles and Long Beach. The ports would retain one-third of the funds for port security enhancements. One-third of the funds would be made available to the California Transportation Commission (CTC) for a) rail grade separations, b) expansion of on-dock rail facilities, and c) other projects that facilitate the movement of cargo by rail. The bill specifically prohibits use of the funds to construct, maintain or improve highways, thus the Gerald Desmond Bridge and the I-710 would be ineligible. The final one-third of the funds would go to the South Coast Air Quality Management District for reducing emissions from sources at the ports.

LAEDC's West Coast National Freight Gateway (WCNFG)

This program entails a three-pronged funding strategy involving a \$100 per TEU (\$200 per FEU) container fee paid by retailers, a 10-percent Customs carve-out, and tax credit bonds. Part of the fee would be used to pay the principal component of the tax-credit bonds. The state would pay the interest component of the debt. In LAEDC's plan each of these funding sources would provide one-third of the total \$10.5 billion cost of the program. As proposed by LAEDC, all three sources would require either federal or state legislative approval. LAEDC has developed draft legislative language. The funds would be used for a "Five-County Consensus Project List", including the Gerald Desmond Bridge, truck lanes on I-710 and I-15, other highway improvements on SR-57, SR-91 and SR-78 (Imperial County), Alameda Corridor-East grade separations, the Colton crossing, and railroad mainline capacity enhancements in Southern California.

SCAG Port and Modal Elasticity Study

SCAG contracted with Leachman Associates, LLC to evaluate the potential impact of container fees on cargo diversion. SCAG assumed the fee would be applied to loaded import containers only. SCAG suggests that the fee be developed through negotiations

with industry rather than through legislation. SCAG recommends that the funds be used to develop a system of exclusive truck lanes on I-710, SR-60, and I-15 as well as for mainline railroad improvements and grade separations east of downtown Los Angeles.

We hope that you will find this information useful.

Recommended by:

Approved:

Carl A. Kemp, Director
Community Relations and Government Affairs

Richard D. Steinke
Executive Director

ATTACHMENTS

Southern California Association of Governments (SCAG) Elasticity Study A

Background

This study determined the economic viability and impact on demand for San Pedro Bay Port services of assessing additional port user fees to fund the improvements to transportation infrastructure likely required to insure efficient and environmentally sound access to the ports. Major infrastructure improvements may be required to accommodate further traffic growth, and user fees are one possibility for funding such improvements. This study analyzes the long-run elasticity of port demands as a function of access fees, determining what levels of fees would induce traffic diversion to other ports or induce shifts in modal shares (truck vs. rail) at the San Pedro Bay (SPB) Ports. These shifts also may depend upon the point in the overall logistics supply chain at which user fees are assessed.

A long-run elasticity model was developed for imports at the SPB Ports. This model allocated imports to ports and modes so as to minimize total inventory and transportation costs from the point of view of importers. Current capacities, contractual obligations and other short-run impediments to shifting traffic among ports and modes were not considered in the long-run model.

The long-run model was exercised for two scenarios: As-Is, and Congestion Relief. In the As-Is Scenario, fees would be assessed on imports at the SPB Ports without any improvements to access infrastructure. In the Congestion Relief

Scenario, average transit time from the SPB Ports to store-door delivery points in the hinterland of the ports is assumed to be reduced by one day, and the standard deviation of this transit time is assumed to be reduced by 0.4 days. The standard deviations of transit times for intermodal rail movements out of Southern California are assumed to be reduced by 0.1 days.

A container fee of \$192 per forty-foot equivalent unit (FEU) applied to imports over 30 years would be sufficient to retire bonds funding \$20 billion in improvements to SPB Ports access infrastructure. Dedicated truck lanes from the SPB Ports to the trans-loading warehouse districts are estimated to cost \$16.5 billion. Improvements to main-line rail infrastructure adequate to accommodate 2025 traffic levels at year 2000 transit times are estimated to cost \$3.4 billion. Thus a container fee in the range of \$190 - \$200 per FEU is relevant for the Congestion Relief Scenario.

SCAG Conclusions:

1. SPB import volume is much more elastic with respect to congestion than with respect to container fees. Import volume is nevertheless elastic with respect to container fees.
2. Without congestion relief, in the long run even a small container fee would drive some traffic away from the SPB Ports.
3. A \$60 per FEU fee on inbound loaded containers at the SPB Ports would cut both total import volume and total trans-loaded import volume at the SPB Ports by approximately 6%.
4. With congestion relief, SPB imports are relatively inelastic up to an import fee value of about \$200 per FEU. At this fee level, total imports via the SPB Ports are estimated to decline by 4% or less, while total trans-loaded volume would rise by an estimated 12.5%.
5. Fees greater than \$200 per FEU will significantly diminish imports via the SPB Ports, even if predicated upon congestion relief.

We recommend that:

1. A complete and comprehensive list of effective infrastructure projects be formulated to determine construction cost.
2. The financing cost and term be calculated for these intended investments.
3. Should other (direct) funding be unavailable or inadequate to fully cover cost, that a container fee exclusively used for retiring the bonds for said improvements be uniformly imposed on all imported containers.
4. The practical point of collection is at the dock to be paid by the importer.

Status

This study was submitted to SCAG on August 28, 2005 and has been used by the organization in their discussions in Sacramento and locally relative to goods movement infrastructure.

The West Coast National Freight Gateway Program Attachment A

The West Coast National Freight Gateway (WCNFG) is a goods movement program developed by the Los Angeles Economic Development Commission (LAEDC) to invest \$10.5 billion in rail, highway and intermodal capacity improvements in Southern California. This proposal, led by respected economist Jack Kyser, was put forward as an option but, according to WCNFG, is not the only solution to the goods movement challenge in our State.

Southern California connects the region, the state, and the rest of the country with the dynamic economies of Asia. The volume of trade flowing through our ports has surged in recent years and is expected to at least triple over the next twenty years, but only if we have adequate trade infrastructure capacity. However, Southern California is rapidly running out of trade infrastructure capacity. Intermodal rail yards will be close to capacity in 2006; and freight railways will see significant goods movement delays within five years. Highway congestion, already legendary, will only worsen. The solution is to deliver the needed capacity improvements to let the region's job base grow.

The WCNFG and programs like it must be designed with the mutually reinforcing goals of efficient goods movement and livable communities. Freight shares the region's rails and roads with people, so reducing freight congestion can help prevent or ease gridlock for commuters and others, too. In addition, reducing congestion lowers the emissions produced by both passenger and goods movement vehicles. These clear benefits are easily understood. Less well recognized, however, are the fiscal benefits that would accrue to the State of California as a result of investing in the goods movement program. Building the infrastructure improvements will create permanent jobs and tax revenue; and so will the greater trade flows made possible as the various projects in the program come on line.

The \$10.5 billion construction program will directly and indirectly support the equivalent of almost 208,000 full-time, year-long jobs for direct and indirect workers. The direct workers hold the construction-related jobs (including everyone from engineers and surveyors to concrete truck drivers and welders) hired to build the infrastructure projects. The indirect workers are those people in jobs sustained by the purchases of the "direct" construction firms and the direct workers when they spend their salaries. The direct and indirect employment effects will be spread over a construction period that is assumed to last eleven years, 2005-2015. The 208,000 direct and indirect workers will earn about \$8.3 billion during the construction period. They will pay state income taxes of \$348 million. The state share of the sales tax owed on their taxable purchases will be \$125 million. And the construction contractors and subcontractors will make taxable purchases worth another \$197 million in tax revenues for the state. The WCNFG straw man program, therefore, will generate for the state *at least* \$669 million in state income and sales taxes on economic activity related to construction alone. Additional state taxes, such as those levied on corporate profits earned on economic activity related to the construction period will further increase state revenues.

Status

This study has been used by the organization in their discussions in Sacramento and locally relative to goods movement infrastructure.

This bill imposes a minimum \$30 fee on each shipping container processed at the Ports of Los Angeles and Long Beach (ports) to fund projects to improve the security of ports-related rail transportation and ports facilities and to mitigate pollution caused by ports operations.

Revenue generated by this fee would be allocated, as follows:

- 1) One-third to the state for allocation by the California Transportation Commission (CTC) to fund rail improvement projects related to container cargo movement to and from the ports. (Revenue is deposited in the proposed Port Congestion Relief Trust (PCRT) Fund).
- 2) One-third retained by the ports to fund projects that improve the security of the ports.
- 3) One-third to the South Coast Air Quality Management District (SCAQMD) to mitigate environmental pollution caused by the movement of cargo to and from the ports via commercial motor vehicles, oceangoing vessels, and rail. Projects funded by this allocation are limited to those that reduce air pollutant emissions from sources located at the ports.

Revenue in the range of \$120 million in FY 2005-06 and \$500 million annually thereafter, could be generated by the minimum \$30 fee imposed at the ports. This revenue would equally divided (\$40 million in FY 2005-06 and \$167 million annually thereafter) among the state to fund rail improvement projects, to fund port security projects, and to mitigate related environmental pollution and to fund projects that reduce air pollutant emissions from the ports.

There would be ongoing costs, perhaps \$250,000 annually starting in FY 2006-07, to the CTC to administer and allocate funds for rail improvement projects related to cargo movement to and from the ports. These costs are covered by a small portion of revenue generated by the fee. (PCRT Fund.)

Status

SB 760 was scheduled to be heard in the Assembly Appropriations Committee on August 16, 2006. The hearing of that bill was cancelled at the author's request. The last date for bills to be heard in the committee is August 17.



City of Long Beach

Working Together to Serve

Memorandum

Exhibit 4

Attachment B

Date: May 11, 2005
To: Budget Oversight Committee
From: Robert E. Shannon, City Attorney *RES*
Subject: Container Taxes and Fees

Issue

At the City Council meeting on April 12, 2005, the Council unanimously supported Senator Lowenthal's bill SB 760, which would impose a fee on each shipping container processed in the Port of Long Beach to be used for port rail, air quality and security improvements. Councilmember Richardson asked whether the City of Long Beach could impose a similar fee.

Response

The answer is yes, provided it is truly a fee and provided it satisfies the constitutional requirements discussed below. As we advised the Committee during the budget process last year, the United States Supreme Court has held that a local government cannot impose an ad valorem tax on containers for general revenue purposes. We have also previously advised the Committee that state and local governments can impose service fees and impact fees. Service fees and impact fees must not exceed the estimated cost of the service or impact or they may be found to be taxes imposed for revenue purposes which are subject to more stringent constitutional constraints.

In the Harbor District, the Board of Harbor Commissioners has exclusive jurisdiction to impose fees for harbor services and impacts. The Board imposes many different fees, including those for pilot services, docking facilities and wharf facilities. Some of these fees are assessed on a per-container basis. The Harbor Department also passes along to harbor users harbor-related costs incurred by other City departments, including Police and Fire.

Outside the Harbor District, the City Council has jurisdiction to impose fees for services and impacts. To be constitutional, such a fee: (1) would relate to an activity with a substantial connection to Long Beach; (2) would

Budget Oversight Committee
May 11, 2005
Page 2

Attachment B

not discriminate against interstate or international commerce; (3) would be fairly apportioned; (4) would be reasonable in amount considering the cost of the service or impact; (5) would not result in multiple charges; and (6) would not conflict with federal law. The constitutional constraints on local regulation of interstate and international commerce are complex and fact-specific. This office would need to review the details of any fee proposals and determine how these factors have been applied by the courts in similar factual situations.

RES:dmp



Date: June 21, 2005

To: Honorable Mayor and Members of the City Council

From: Councilmember Laura Richardson, Chair, Budget Oversight Committee
Vice Mayor Jackie Kell
Councilmember Tonia Reyes Uranga

Subject: **REQUEST CITY MANAGER TO CONDUCT FURTHER RESEARCH AND
GENERATE BALLOT INITIATIVES TO ADDRESS CRITICAL FUNDING NEEDS**

Background

On September 7, 2004, as part of the adoption of the FY 05 Budget, the City Council approved the recommendation of the Budget Oversight Committee (BOC) to focus on potential resources that would address the structural deficit and possibly alleviate the amount of reductions to core public services and/or City personnel. During the past several months, the BOC has actively pursued research on seven viable revenue options, including:

- Public Safety Revenue Options
- Library Assessment Tax
- Utility User Tax (UUT)
- Local Sales Tax
- Transient Occupancy Tax (TOT)
- Parking Lot Tax
- Oil Production Tax

In addition to establishing a comprehensive understanding of the ballot initiative process, the BOC explored the revenue generating potential of each measure and obtained electoral results for all agencies in California that had similar ballot initiatives in either the 2004 or 2005 elections.

Furthermore, the research conducted by the BOC provided detailed information on each of the above tax measures including the type of tax, electoral results, election date, tax amount, projected annual revenue, sunset date and purpose or possible uses by surveying comparable agencies. The BOC's findings have been prepared in a detailed report and will be provided in its entirety.

Although the information gathered by the BOC has laid a foundation, further in-depth analysis is necessary to establish the feasibility of these options. When surveying cities that have pursued tax initiatives such as, Oakland, San Luis Obispo, Porterville and Morgan Hill, it was found that prior to recommending specific initiatives, the next step usually includes engaging a consultant to determine the viability and magnitude of potential tax initiatives, types of election, public support, timing and stakeholders.

Recommended Action:

Request the City Manager to conduct further research and recommend future revenue-generating ballot initiatives in Long Beach as a means of addressing critical funding needs including public safety, infrastructure needs, library services and youth programs.

**BUDGET OVERSIGHT COMMITTEE
REVIEW OF REVENUE OPTIONS TO ADDRESS CRITICAL FUNDING NEEDS
JUNE 21, 2005**

As part of the Budget Oversight Committee's (BOC) FY 05 Recommendations presented to the City Council on August 24, 2004, potential revenues sources, including various tax initiatives, were discussed as potential solutions to the City's current budget challenges. During the last few months, the BOC has been exploring in more detail the following potential sources of new or increased revenue:

- Public Safety Revenue Options
- Library Assessment Tax
- Utility User Tax (UUT)
- Local Sales Tax
- Transient Occupancy Tax (TOT)
- Parking Lot Tax
- Oil Production Tax

The following report provides detailed information on each of the above tax initiatives, including potential value of rate increases for Long Beach and recent electoral results from other cities for 2004 and 2005 ballot measures. City staff also surveyed nine comparable cities in California on current rates and tax initiatives during the past five to ten years. In addition, for Oil Production, Library and Public Safety Assessment Taxes, staff surveyed cities that assess these taxes in California. Also included in this report is a general listing of potential uses for new revenue sources (**Attachment 1**).

When considering future tax measures, it is important to remember that Proposition 218 requires a two-thirds popular vote for any tax whose proceeds are designated in advance for a particular use. This type of special tax can be placed on a ballot at anytime or taken forward independently to the electorate. In contrast, a tax that would generate revenue that is not designated or restricted in its use can be approved with a simple majority voter approval, but must be placed on a ballot of which local officials are running for office.

One approach taken recently combines a general tax measure (not designated for a particular use) with an advisory measure, where by the electorate can indicate how they hope the funds will be used, though this is nonbinding. Should the City place an initiative on the ballot for the next election, the application must be approved by the City Council and sent to Los Angeles County by July 11, 2005 for the November 2005 election or January 13, 2006 for the April 2006 election.

Public Safety Revenue Options

There are various means by which cities fund public safety services. The following section describes three different revenue options that could potentially be used for public Safety services, other revenue options listed later in this report such as Sales Tax and Utility Users Tax could also support public safety needs.

Impact/Linkage Fee

One method of raising funds for public safety needs is a Public Safety Impact (linkage) Fee. An impact fee would be charged on all new developments in the City. The amount of the fee collected can vary significantly based the amount of new development taking place. Impact fees are established based on a link (or nexus) between new development and the need for public improvements. The impact fee must be justified as a direct consequence of new development and not include existing service standard deficiencies. A development fee for a public improvement may not, with some exceptions, include costs for maintenance and operations.

Although an impact fee has the potential to bring in revenue for the City, it is a one-time revenue source and cannot be relied on every year since the amount will change significantly from one fiscal year to the next depending upon the level of development activity. In 2004, the City Council adopted a Financial Policy stating that all future one-time revenue sources would be limited to one-time expenditures such as facility improvements or construction. Any impact fee collected for Public Safety would need to be for one-time charges only.

Mello-Roos

Mello-Roos is a form of financing that can be used by cities to finance major improvements and services within a predetermined district, which might include schools, roads, libraries, police and fire protection services, or ambulance services. Mello-Roos Community Facilities Districts (referred to as a CFD) raise money through special taxes that must be approved by 2/3 of the voters within the district. The taxes are secured by a continuing lien and are levied annually against property within the district. If bonds were issued by the CFD, special taxes would be charged annually until the bonds are paid off in full. Often, after bonds are paid off, a CFD will continue to charge a reduced fee to maintain the improvements. Normally, Mello-Roos is used for large development areas such as the Downtown Pike and Boeing Development areas. Mello-Roos can be a viable option to mitigate the cost of increased public safety services associated with a new development.

In August 1999, the City assisted the Marina Pacifica Homeowners Association in obtaining bonds to purchase Marina Pacifica land. In return, the Association agreed to pay the City \$25,000 annually as long as the bonds are outstanding. The legal requirements of the agreement specified that the funds received must be used for expenses related to public safety or other municipal purposes. This was a unique and one-time arrangement made to assist the Marina Pacifica Homeowners Association and is not likely a viable option to raise funds for Public Safety on a wide scale basis.

Assessment Parcel Tax

Long Beach does not have a Public Safety Assessment Tax. Based on a hypothetical rate of \$25 per parcel or slightly more than \$2 per month (with an annual CPI increase), potential revenue could range from \$2.8 to 4.3 million depending on method of assessment. Various methodologies could be used to establish such a tax to remain constant among all parcels or to vary between residential and commercial parcels. The option exists to apply this tax on commercial properties only as well.

As previously mentioned in the discussion concerning the Library Assessment Tax, using the number of units as opposed to the number of parcels for this calculation would significantly affect the revenue estimate.

Resource needs may include additional police officers, police facilities, fire station rehabilitation, paramedic rescue units, technology support, and other support positions and equipment.

During 2004 and 2005, 14 cities had new Public Safety Assessment measures, of which only four passed (29 percent). Albany passed with an 80.5 percent approval rating and established the tax rate based on parcel size instead of categories of use (residential, commercial, and industrial). The City of Del Rey Oaks, in Monterey County, approved a three-year assessment tax for Public Safety. The City of Huntington Park approved a measure to eliminate a Street Lighting and Landscaping Assessment and imposed in its place an annual charge upon property to fund Public Safety services. Please see the following Table for more details.

Table 6

PUBLIC SAFETY ASSESSMENT TAX			
CITY	YES %	NO %	PASS/FAIL
Albany	80.50%	19.50%	Pass
Banning	46.00%	54.00%	Fail
Berkeley	45.20%	54.80%	Fail
Del Rey Oaks	71.10%	28.90%	Pass
Fairfax	57.30%	42.70%	Fail
Fort Bragg	69.20%	30.80%	Pass
Lancaster	47.30%	52.70%	Fail
Huntington Park	68.90%	31.20%	Pass
Manteca	19.60%	80.40%	Fail
Monterey Park	58.00%	42.00%	Fail
Perris	62.80%	37.30%	Fail
Salinas	54.40%	45.60%	Fail
San Leandro	50.70%	49.30%	Fail
Yreka	53.20%	46.80%	Fail

None of the comparable cities currently have a Public Safety/Fire Assessment Tax. **Attachment 2** contains information about nine cities that passed, renewed, or failed to pass a Public Safety/Fire Assessment Tax in the last five years.

Library Assessment Tax

Based on a hypothetical rate of \$25 per parcel or slightly more than \$2 per month (with an annual CPI increase), potential revenue could range from \$2.8 to 4.3 million depending on the method of assessment.

According to the 2000 census, the actual number of residential units included in the 102,969 parcels is estimated to be 170,000 units. Using the number of units as opposed to the number of parcels for this calculation would significantly affect the revenue estimate. Furthermore, further research would be required to determine whether the tax would remain constant among all parcels or should vary between residential and commercial parcels. This would be a special tax for a specific use; therefore, 2/3 approval would be required.

A Library Focus Group was recently convened to identify and recommend standards of service and sources of revenue that could support these levels of services. The Focus Group has recommended a \$25 per unit rate that could generate \$4.3 million. If raised, it could provide supplemental funding for increased operational levels such as increasing library hours to six days/week for all neighborhood libraries and seven days/week for the Main Library, increasing the materials budget (i.e., books, media and electronic resources) to meet the national standard (equal to 15 percent of the operating budget), and maintaining the virtual library at its state-of-the-art level. Any additional increase beyond \$25 per parcel would augment other services identified by the Library Focus Group such as literacy programs, community outreach and special events.

During 2004-2005, 12 cities had new Library Assessment measures on the ballot; only Richmond's measure passed. The remaining 11 cities were part of a Los Angeles County measure placed on the ballot by the Board of Supervisors without the support of the local city councils. Residents of Berkeley successfully renewed their Special Library Tax in 2004 by a margin of 87 percent for, 13 percent against. The separate measure that failed was for an increase to this original tax to generate \$1.9 million for increased operating costs (i.e., salaries) and literacy programs. Recently, Santa Clara County renewed an annual library parcel tax of \$33.66 but defeated a measure that would have increased it to \$45.66. While this memo focuses on measures to create or increase taxes, it is important to note that in 2004, the cities of Oakland, San Jose, and Sacramento all had initiatives on the ballot to renew their pre-existing Library Assessment taxes. All were successful. Oakland, as part of the renewal initiative, also doubled their taxable amount from \$36 to \$75 per single family residential unit. Please refer to attached **Attachment 3** for more detail.

Table 5

LIBRARY ASSESSMENT TAX - NEW			
CITY	YES %	NO %	PASS/FAIL
LA County Proposed Measure			Fail
Richmond	59.0%	41.0%	Pass
Berkeley	51.0%	50.0%	Fail

LIBRARY ASSESSMENT TAX - RENEWAL			
CITY	YES %	NO %	PASS/FAIL
Berkeley	87.0%	13.0%	Pass
Oakland	77.2%	22.8%	Pass
Sacramento	72.4%	22.8%	Pass
San Jose	66.9%	33.1%	Pass
Santa Clara County	72.0%	28.0%	Pass

Utility User Tax

The current UUT rate in Long Beach is 5 percent, which is expected to generate approximately \$40.5 million in Fiscal Year 2005 (FY 05). This rate represents a reduction approved by voters in 1999, which cut the rate in half over the last five years from 10 to 5 percent. One percent increase in the UUT would generate between \$7.5 million and \$8 million for the General Fund.

An increase in the UUT would affect electric, water, gas, and telephone rates. As a sample impact, an average residential gas bill in Long Beach totals \$35.05 per month, which would increase the UUT by \$0.35 per each additional UUT percentage point. Further research would be required to get an average cost for a typical resident for all UUT related bills (gas, water, electric and phone) and payments. If the combined bills total \$150 per month, then the total monthly increased cost would be \$1.50 per month or \$18 per year.

During 2004 and 2005, five cities in California proposed a general increase to their existing Utility User's Tax (UUT). Four of the five failed to receive the majority voter approval required. Please see Table 1 for more detail.

Table 1

CITY	YES %	NO %	PASS/FAIL
Berkeley	37.4%	62.6%	Fail
King City	28.2%	71.9%	Fail
La Verne	51.8%	48.2%	Pass
Palm Springs	25.3%	74.7%	Fail
Salinas	34.6%	65.4%	Fail

When comparable agencies were surveyed, Long Beach has one of the lower rates, with Los Angeles at 12.5 percent and Oakland, Sacramento and San Francisco with 7.5 percent each. Both Oakland and Sacramento attempted to change their UUT rate in 2002, both were unsuccessful. Please refer to attached **Attachment 4** for more detailed information.

Local Sales Tax

The current Sales Tax rate in Long Beach is 8.25 percent which is split between the State (6 percent), Los Angeles County Metropolitan Transportation Authority (1 percent), Los Angeles County (0.25 percent) and the City of Long Beach (1 percent). Long Beach is expected to generate \$40.4 million in FY 05 Sales Tax revenue. An additional 1/2 percent, which is the maximum the rate could be increased, would generate approximately \$20 million for the General Fund. Assuming the ballot language does not restrict the use of the revenue, Sales Tax revenue generated with such a ballot measure would be available to support general government programs, services and operations including public safety, library and youth programs.

An additional increase in Sales Tax would increase the cost of taxable purchases made in the city, which would vary significantly for each resident. Visitors to the city would also contribute toward Sales Tax revenue.

Voters in 25 cities considered proposals to increase their local sales tax in 2004/2005. Overall, 13 of the 25 (52 percent) measures passed. Over half (16 of the 25) of the proposals were for general purposes, with three cities (Lakeport, San Francisco and Watsonville) placing a companion advisory measure on the ballot requesting voter preference on the use of the funds. Of these three, only Lakeport was successful. Of all 25 measures, nine (36 percent) measures were for public safety funding and required a 2/3-voter approval. Out of these nine, four cities (44 percent) were successful. Interestingly, eight of the nine cities with a special tax measure collected over 50 percent of the total vote. Please see Table 2, on the next page, for more detail on the 25 measures.

Table 2

CITY	YES %	NO %	PASS/FAIL	RATE	Purpose
El Cajon	68.7%	31.3%	Pass	1/2 cent	Public Safety
Los Banos	78.0%	22.0%	Pass	1/2 cent	Public Safety
Merced	61.7%	38.4%	Fail	1/2 cent	Public Safety
San Juan Bautista	62.7%	37.3%	Fail	1/4 cent	Public Safety
Santa Rosa	70.0%	30.0%	Pass	1/4 cent	Public Safety
Stockton	73.6%	26.4%	Pass	1/2 cent	Public Safety
Susanville	46.3%	53.7%	Fail	1/2 cent	Public Safety
Ukiah	63.2%	36.8%	Fail	1/2 cent	Public Safety
Visalia	66.5%	33.5%	Fail	1/4 cent	Public Safety
Atwater	44.1%	55.9%	Fail	1 cent	
Capitola	59.7%	40.3%	Pass	1/4 cent	
Davis	68.5%	31.5%	Pass	1/2 cent	
Farmersville	64.3%	35.8%	Pass	1/2 cent	
Galt	21.5%	78.6%	Fail	1/4 cent	
Lakeport	59.6%	40.4%	Pass	1/2 cent	
Madera	46.4%	53.6%	Fail	1/4 cent	
Manteca	22.0%	78.0%	Fail	1/4 cent	
Montclair	63.3%	36.8%	Pass	1/4 cent	
Monterey	49.1%	50.9%	Fail	1/4 cent	
San Francisco	42.2%	57.8%	Fail	1/2 cent	
Sand City	56.1%	43.9%	Pass	1/2 cent	
Santa Cruz	68.9%	31.1%	Pass	1/4 cent	
South Lake Tahoe	57.2%	42.8%	Pass	1/2 cent	
Watsonville	37.2%	62.8%	Fail	1/4 cent	
Woodlake	58.2%	41.8%	Pass	1/2 cent	

None of the nine comparable agencies surveyed have a local sales tax. Fresno, San Diego and San Francisco all voted against local sales tax initiatives in 2002, 1996 and 2004 respectively. Please see attached **Attachment 5** for further details on these cities.

In addition to the local sales tax discussed in this report, the County of Los Angeles proposed an additional 1/2 percent increase in sales tax on its 2004 ballot (Measure A). The measure was designated to support public safety. That measure failed to obtain the required 2/3 vote, receiving only 59.6 percent yes votes. In the City of Long Beach, Measure A received 60 percent yes votes.

Transient Occupancy Tax

The current Transient Occupancy Tax (TOT) rate is 12 percent applied to every hotel room night in Long Beach. Revenue from one-half, or six of the 12 percentage points, accrues to the General Fund, with the other half shared between the Special Advertising and Promotions Fund and the Redevelopment Agency (for the hotels located in the Downtown Redevelopment Area). The TOT is expected to generate \$14.4 million citywide, with \$7.2 million for the General Fund in FY 05. It is estimated that each percentage point could increase the current level of TOT revenue by approximately \$1.2 million annually for the General Fund. Additional TOT revenue may be used for any purpose, depending on ballot language, or to fund targeted economic development, public arts, and general government operations.

The current average room rate in Long Beach is \$109. Using this as a baseline, it is estimated that each 1 percent increase would cost Long Beach visitors an additional \$1.09 per night, in addition to the \$13.08 for the 12 percent rate currently in effect. There will be no impact on residents unless they utilize hotel accommodations in the city.

In 2004 and 2005, 24 cities proposed a TOT increase. Voters in 13 cities approved the increase, a 54 percent success rate. Most cities proposed a general increase, which required a majority vote. South San Francisco and San Juan Bautista earmarked the funds for parks, recreation and public safety services and for parking and restrooms, respectively, thus requiring a 2/3-voter approval. Both received the required 66.6 percent voter approval to pass. The following Table highlights the results of the 24 measures.

Table 3

CITY	YES %	NO %	PASS/FAIL	Change
Avalon	56.1%	43.9%	Pass	9% to 12%
Calexico	49.2%	50.8%	Fail	7% to 10%
Carson	41.0%	59.0%	Fail	9% to 12%
Cathedral City	52.7%	47.3%	Pass	10% to 11%
Coalinga	46.4%	53.6%	Fail	6% to 10%
Healdsburg	71.8%	28.2%	Pass	10% to 12%
Indio	36.0%	64.0%	Fail	10% to 12%
Livingston	53.7%	46.3%	Pass	6% to 9%
Mission Viejo	39.2%	60.8%	Fail	8% to 10%
Oakdale	39.1%	60.9%	Fail	7% to 10%
Oroville	40.3%	59.7%	Fail	9% to 12%
Paradise	62.4%	37.6%	Pass	6% to 10%
Red Bluff	33.3%	66.7%	Fail	10% to 12%
Redondo Beach	56.2%	43.8%	Pass	10% to 12%
San Diego	41.4%	58.6%	Fail	10.5% to 13%
San Juan Bautista*	69.7%	30.3%	Pass	10% to 12%
San Pablo	53.0%	47.0%	Pass	6% to 12%
San Ramon	48.6%	51.4%	Fail	7.25% to 10%
Santa Ana	56.2%	43.8%	Pass	9% to 11%
Santa Monica	74.7%	25.3%	Pass	12% to 14%
Sausalito	57.8%	42.2%	Pass	10% to 12%
South San Francisco	69.4%	30.6%	Pass	8% to 9%
Tehachapi	39.9%	60.1%	Fail	8% to 12%
West Sacramento*	68.2%	31.8%	Pass	4% to 12%

*Special Tax

The City of Anaheim currently has the highest TOT at 15 percent, while the Cities of Beverly Hills, Inglewood, Los Angeles, Santa Monica and San Francisco each have 14 percent. All other cities surveyed, including Long Beach (at 12 percent) vary from 4 to 13 percent. The average TOT rate for the comparable agencies is 11.5 percent. Sacramento, San Francisco and Santa Ana all passed a TOT increase in 2002, 1998 and 2004, respectively. Fresno, Oakland, San Diego and San Jose also held elections to increase their TOT rates in the last five years but were unable to achieve the majority vote needed to pass. Please refer to attached **Attachment 6** for more detail.

Parking Lot Tax

The City of Long Beach does not currently have a Parking Lot Tax. A Parking Lot Tax could be applied to all public and private parking lots located in the City or specific designated lots. It could be applied as a percentage of the parking fee or as an ascending tax depending on the parking cost and length of time.

Parking lot operators would be required to collect the tax from parking lot occupants and remit the collections to the City. The annual revenue to be generated from a citywide parking tax is roughly estimated at \$1.5 to 2.2 million, assuming a 10 percent tax rate. Revenue generated could be available to support general government programs, services and infrastructure maintenance, depending on the ballot language used. The tax could also be applied to specific lots within the City. For example, a 10 percent tax on airport parking could generate \$800,000 to the General Fund annually.

There are some special considerations associated with a Parking Lot Tax.

- Existing City contracts and leases with parking operators, and a few City Parking Garage Bonds, would have to be reviewed to evaluate the legality of such a tax and how the agreements might be affected.
- Other cities have parking lot taxes ranging from 10 percent in Los Angeles to 25 percent in San Francisco.
- Compliance is a known problem-area as many parking operations run on a cash basis, making it difficult to audit. Also, exemptions are also common for specified City lots, residential parking and long-term hotel residents. The City of Los Angeles collects approximately \$60 million per year from their tax.
- San Francisco also expressed problems with compliance. They designate this tax revenue to programs services for senior citizens, public transportation and their general fund. They collect approximately \$56 million per year.
- Chicago allows parking operators to retain 1 percent of the tax for administrative purposes.

There is no record of any 2004-2005 ballot including a Parking Lot Tax measure. Please refer to the attached **Attachment 7** for additional information on comparable cities.

Oil Production Tax

The current tax is \$0.15 per barrel produced, which is expected to generate \$2.2 million in FY 05. Each additional one-cent would generate approximately \$150,000, based on current production, or sliding scale could be employed such that as oil prices increase or decrease so would the tax rate. Oil fields have a limited life and therefore this tax should be assumed to reduce over time. Revenue generated could be available to support general government programs, services and operations, depending on the ballot language used. Oil well operators producing oil in the City would pay this tax.

City staff surveyed other cities that assess oil production tax including Signal Hill, Torrance and Santa Fe Springs. Staff found that the rates in other cities range from \$0.02 to \$0.31 per barrel with the majority of cities applying an annual CPI adjustment. The City of Long Beach could raise the current rate to \$0.30 and potentially increase revenues by \$2.2 million. **Attachment 8** provides further detail on rates in other cities.

Conclusion

Appendix A contains the questions and answers that have been discussed during the Budget Oversight Committee meetings held from January through May 2005 concerning new revenue options.

At this time, the BOC recommends the City Council to request the City Manager to further research the potential success of future tax initiatives in Long Beach as a means of addressing critical funding needs including public safety, infrastructure and maintenance needs, library services and youth programs, as well as return quality of life programs to the community.

Possible Uses for New Revenue Options

TAX	POSSIBLE USE
Public Safety Revenue Options	Additional police officers, police facilities, fire station rehabilitation, paramedic rescue units, technology support, and other support positions and equipment.
Library Assessment Tax	Expand Library hours, purchase additional materials and books, help fund literacy programs, and provide services to special populations.
Utility User Tax	Support general governmental programs, services and operations, including but not limited to additional Police Officers, command and support staff, critical infrastructure maintenance needs, libraries, and parks and recreation services.
Transient Occupancy Tax	Support general governmental programs, services and operations. Could also be a source of sustainable support for the various art programs throughout the City.
Local Sales Tax	Support general governmental programs, services and operations, including but not limited to additional Police Officers, command and support staff, critical infrastructure maintenance needs, libraries, and parks and recreation services.
Parking Lot Tax	Support general governmental programs, services and operations, including but not limited to transportation needs arising from increased commercial traffic throughout the City. A possible tax on Airport area parking could generate funds to mitigate impacts of passengers on City infrastructure and services.
Oil Production Tax	Support general governmental programs, services and operations, including but not limited to public safety, critical infrastructure maintenance needs, libraries, and park services.

Survey of Comparable Agencies Public Safety/Fire Assessment

Attachment 2

Attachment C

Question	Long Beach ¹ (461,522) ²	Lancaster (118,718)	San Leandro (79,452)	Buena Park (78,282)	Fort Bragg (7,026)	Salinas (151,060)	San Marino (12,945)	La Quinta (23,694)	Fairfax (7,319)	Larkspur (12,014)
Type - Special or General		Special	Special	Special	Special	Special	Special	Special	Special	Special
% Vote Received		47.3% (Fail)	50.7% (Fail)	65.8% (Fail)	69.2% (Pass)	54.4% (Fail)	79.9% (Pass)	66.5% (Fail)	57.1% (Fail)	86.6% (Pass)
Election Date		April 13, 2004	November 2, 2004	November 5, 2002	November 2, 2004	March 2, 2004	November 5, 2002	March 5, 2004	November 2, 2004	November 5, 2002
Tax Amount - \$ or %		\$25 per parcel	\$78 for single-family residences, \$46.80 per multi-family unit and \$16 per thousand square feet for industrial properties	\$19 per year for a single family parcel (with rates for other parcels based on land use and size)	\$18 per parcel	\$30 per parcel		\$85 per parcel	\$125 per parcel	\$30 per parcel
Tax Allocation (Residential, Commercial, Units)		Estimated total number of parcels - 42,486 (Multiple units are calculated as a single parcel)								
Projected Annual Revenue		\$1,062,150	\$3.25 million						\$460,000	
Sunset Date			5.5 Years	30 Years		10 Years	4 Years		5 Years	4 Years
Purpose / Possible Uses		Ten additional deputies	Maintain the current level of police and fire protection services at a minimum of 94 sworn police officers and a minimum of 7 fire companies	To improve 9-1-1 response time, build a new police headquarters and an earthquake-resistant Emergency Operations Center	Purchase fire equipment	Fund operations of the firefighter-paramedic program.	Paramedic, police and fire protection services	Fund fire protection and paramedic services	Fund public safety including police, fire, emergency medical and public works which includes hazard/safety improvements to public streets and sidewalks	Fund paramedic services
Comments					Renewal		Renewal	Failed by .1%		Renewal

¹ A hypothetical \$30 - \$40 per parcel Fire Assessment Tax would result in a projected \$3.1 - \$4.1 million in additional annual revenue, which could fund deferred maintenance at fire facilities.

² Population based on US Census for 2000

Survey of Comparsible Agencies
Library Assessment Tax

Attachment 3

Question	Long Beach ¹ (461,522) ²	Berkeley (102,743)	Bruggemeyer Monterey Park (60,051)	LA County (9,519,338)	Oakland (382,369)	Pasadena (133,936)	Riverside (291,226)	Sacramento (405,444)	San Francisco (731,978)	San Jose (852,616)	Santa Clara (102,361)	South Pasadena (24,292)
Type - Special or General		Special	Special	Special	Special	Special	Special	Special	Special	Special	Special	Special
% Vote Received		67% (Pass)	67% (Pass)	70% (Pass) Note: Board of Supervisors placed on ballot.	77.2% (Pass)	Renewal 86.5% (Pass)	69% (Pass)	1996: 62.6% (Pass) Renewal 2004: 72% (Pass)	70% (Pass)	1994: 65% (Pass) Renewal 2004: 67% (Pass)	68% (Pass)	87.1% (Pass)
Election Date		1980 & 1988	April 1998	June 1997	March 2004	March 1997	March 2002	November 1996	June 1994	November 1994 November 2004	November 1994	
Tax Amount - \$ or %		Res. \$.1292/sf Com: \$.1956/sf	Per Parcel \$25-Single \$50-Duplex \$75-Multi Unit	FY 97-98 \$22/parcel (max) Increase by 2% per year, or CPI, whichever is less. FY 04-05 \$25.22/parcel	Per Parcel \$75-Single Res \$51.24-Multi Res \$38.41-Com	\$25.34-Single Res Note: Applied to each residential unit of a multi-unit bldg which is not a condo project	\$19.00/parcel	1996: \$22/Unit 2004: \$25.84/Unit (COLA Adjusted)		\$25/Single Res Note: Proportional to all others	\$33.66/Res Parcel Note: Graduated scale for commercial, agriculture, etc...	\$24, \$36 or \$48 Note: Dependent on size of home, parcel or unit
Projected Annual Revenue		\$11.3 million	\$480,000	\$11.4 million	\$11.0 million (5% held in reserve)		\$1.2 million	\$3,728,636	FY 94-95 \$34 million	\$6.2 million	\$5.3 million	\$224,664
Sunset Date		Continuous Note: Spending must be approved every 4 years by a simple majority.	20 Years	Not specified	15 additional years from 2009 (end date of original parcel tax)	10 Years	10 Years	10 Years	15 Years	10 Years	10 Years	6 Years
Purpose / Possible Uses		Restore services	Enhance services	Enhance services	Restore and enhance		Restore and enhance	Enhance services	Library Preservation Fund to be used to increase spending for library operation, services and materials.	Restore and enhance	Restore and enhance	Enhance
Comments												

¹ A hypothetical \$25 per parcel Library Assessment Tax would result in a projected \$2.8 - 4.3 million in additional annual revenue depending on the method of assessment.

² Population based on US Census Estimates for 2000

Survey of Comparable Agencies Utility User Tax

Attachment 4

Question	Long Beach ¹ (475,880) ²	Anaheim (301,207)	Fresno (455,676)	Los Angeles (3,719,310)	Oakland (382,369)	Sacramento (405,444)	San Diego (1,220,734)	San Francisco (731,978)	San Jose (852,616)	Santa Ana (332,574)
Type - Special or General					General	General				
% Vote Received					33.1% (Fail)	46.2% (Fail)				
Election Date					November 5, 2002	November 5, 2002				
Tax Amount - \$ or %	Current Rate - 5%			Current Rate - 12.5%	Increase from 7.5% to 8%	Decrease from 7.5% to 2.5%		Current Rate - 7.5%	Current Rate - 5%	Current Rate - 6%
Projected Annual Revenue					\$3.3 million	UUT generates approximately \$51 million annually.*				
Sunset Date					5 Years	N/A				
Purpose / Possible Uses					Advisory measure to allocate funds to violence prevention programs.	General government purposes				
Comments					Utility Tax, TOT and Parking Lot Tax were all placed on the same ballot. Note: All three measures did not pass.	* Measure calls for a 1% decrease in UUT annually.				

¹ A hypothetical 1% increase in the UUT would result in a projected \$7.5 - \$8 million in additional annual revenue, which could be allocated to fund additional police officers and command and support staff.

² Population based on US Census Estimates for 2003

Attachment C

Survey of Comparable Agencies
Sales Tax

Question	Long Beach ¹ (475,880) ²	Anaheim (301,207)	Fresno ¹ (455,676)	Los Angeles (3,719,310)	Oakland (382,369)	Sacramento (405,444)	San Diego (1,220,734)	San Francisco (731,378)	San Jose (952,616)	Santa Ana (332,574)
Type - Special or General			Special				General	General		
% Vote Received			53.9% (Fail)				*53.14% (Contingent on passage of Prop A)	41.89% (Fail)		
Election Date			November 5, 2002				November 5, 1996	November 2, 2004		
Tax Amount - \$ or %	Current County Tax - 8.25 % No Local Sales Tax	Current Rate - 7.75% No Local Sales Tax	Current Rate - 7.975% No Local Sales Tax (Ballot Measure for .5%)	Current Rate - 8.25% No Local Sales Tax	Current Rate - 8.75% No Local Sales Tax	Current Rate - 7.75% No Local Sales Tax	Proposition A - Increase County of San Diego Sales Tax by .25% No Local Sales Tax	Increase .25% from 8.5% to 8.75% No Local Sales Tax	Current Rate - 8.75% No Local Sales Tax	Current Rate - 7.75% No Local Sales Tax
Projected Annual Revenue								\$33.6 Million		
Sunset Date								None Listed		
Purpose / Possible Uses			Provide countywide transportation improvements.				*Voters approved an amendment to the City Charter to create an Endowment Fund for library services upon concurrent approval of the County of San Diego's Proposition A.	General governmental purposes		
Comments			* This is a County of Fresno Tax.				Endowment did not go into effect due to failure of Prop A to pass.			

¹ The City has the capacity to increase Local Sales Tax up to .5%, which could result in a projected \$20 million in additional annual revenue and could fund general governmental programs, services and operations.

² Population based on US Census Estimates for 2003

Survey of Comparable Agencies Transient Occupancy Tax

Attachment 6

Attachment C

Question	Long Beach ¹ (475,800) ²	Anaheim (301,207)	Fresno (455,676)	Los Angeles (3,719,310)	Oakland (382,369)	Sacramento* (405,444)	San Diego (1,220,734)	San Francisco (731,978)	San Jose (852,616)	Santa Ana (332,574)
Type - Special or General					General	General	General	Special	Special	General
% Vote Received			29.8% (Fail)		43.4% (Fail)	61.8% (Pass)	41.59% (Fail)	83.60% (Pass)	64.8% (Fail)	56.9% (Pass)
Election Date			November 7, 2000		November 5, 2002	November 5, 2002	November 2, 2004	November 3, 1998	November 5, 2002	November 2, 2004
Tax Amount - \$ or %	Currently at 12%	Currently at 15%	Increase from 12% to 13%	Currently at 14%	Increase from 11% to 14%	Continue collecting a 2% increase from 10% to 12%	Increase 10.5% to 13%	Remain @ 14%	Increase the Convention Bureau portion from 4% to 14%	Increase 9% to 11%
Projected Annual Revenue					\$2.7 million	\$1.5 million	\$28 Million	A failure to maintain this tax would result in a loss of revenue - \$23.4 million.		\$1 Million
Sunset Date					Five Years	None Listed	None Listed	None Listed		None Listed
Purpose / Possible Uses					Advisory measure to allocate funds to violence prevention programs.	General government purposes	General governmental purposes	Majority of tax to general fund with some earmarked for affordable housing, arts and cultural centers.	Help finance local development related to tourism	General government purposes
Comments	Initial discussions considered a 3% increase in the TOT: 1% for the CVB, 1% for the Arts and 1% for the City's GP. Recently, the CVB has been considering a separate measure, which would require City Council approval, to self-assess downtown hotels by x%, which would accrue entirely to the CVB. This would effectively make the initial 3% discussion moot.				Utility Tax, TOT and Parking Lot Tax were all placed on the same ballot. Note: All three measures did not pass.	* This is a County of Sacramento tax.		To continue with the 2% surcharge approved in 1996.	San Jose splits their TOT revenue into two funds: General Fund and Convention Center and Tourism Fund. The above mentioned measure was to increase the Convention Center Fund only. The General Fund TOT is currently at 10%.	

¹ Population based on US Census Estimates for 2003

² A hypothetical 1% increase in the TOT would result in a projected \$1.2 million in additional annual revenue. Allocation of funds would be dependent on ballot language.

Survey of Comparable Agencies Parking Lot Tax

Attachment 7

Attachment C

Question	Long Beach ¹ (475,880) ²	Anaheim (301,207)	Fresno (455,676)	Los Angeles (3,719,310)	Oakland (382,369)	Sacramento (405,444)	San Diego (1,220,734)	San Francisco (731,978)	San Jose (852,616)	Santa Ana (332,574)
Type - Special or General					General			General		
% Vote Received					43.8% (Fail)			58.4 % (Pass)		
Election Date					November 5, 2002			June 1980		
Tax Amount - \$ or %				Currently at 10%	Increase from 10% to 20% (Public & Private Lots)			Increase from 15% to current 25% rate (Public & Private Lots)		
Projected Annual Revenue				\$59 million annually	\$6.6 million			\$56 million annually		
Sunset Date					5 Years					
Purpose / Possible Uses					Advisory measure to allocate funds to violence prevention programs.			Senior Citizen, public transportation and general governmental purposes		
Comments					Utility Tax, TOT and Parking Lot Tax were all placed on the same ballot. Note: All three measures did not pass.					

¹ A hypothetical 10% Parking Lot Tax applied Citywide would result in a projected \$1.5 to 2.2 million in additional annual revenue. Allocation of funds would be dependent on ballot language.

² Population based on US Census Estimates for 2003

**Survey of Competitive Agencies
Oil Production Tax¹
(Los Angeles County)**

Attachment 8

Attachment C

Question	Long Beach ² (461,522) ³	Beverly Hills (33,784)	Culver City (38,816)	El Segundo (16,033)	Inglewood (112,580)	La Habra Heights (5,712)	Montebello (62,150)	Santa Fe Springs (17,438)	Signal Hill (9,333)	Torrance (137,946)
Type - Special or General										
% Vote Received										
Election Date										
Tax Amount - \$ or %	\$0.15 per bbl.	Outside: 1st 10,000 - \$1,611.67 \$0.11 bbl >10,000 Inside: 1st 10,000 - \$3,235.43 \$0.31 bbl >10,000	\$18 per \$1,000 gross receipts (oil, gas, and liquids) ⁴	\$0.02 per bbl	\$0.22 per bbl ⁴	\$0.20 per bbl.	\$0.288 per bbl ⁵	\$0.20 per bbl ⁴	\$0.314 per bbl ⁶	\$0.23 per bbl ⁵
Projected Annual Revenue										
Sunset Date										
Purpose / Possible Uses										
Comments		Outside - Well located outside City limits.								

¹ There were no noted ballot initiatives in the State of California for an Oil Production Tax since 1998.

² A hypothetical \$0.01 bbl Oil Production Tax increase would result in a projected \$150,000 in additional annual revenue. Allocation of funds would be dependent on ballot language.

³ Population based on US Census for 2000

⁴ Source: Society of Petroleum Evaluation Engineers (1999 Data)

⁵ Tax indexed to CPI and adjusted annually.

⁶ Tax indexed to PPI for Crude Petroleum and adjusted annually.



Date: June 21, 2005

To: Members of the Budget Oversight Committee

From: Michael A. Killebrew, Director of Financial Management /s/

For: Mayor and Members of the City Council

Subject: **Budget Oversight Committee Question Summary Regarding New Revenue Options**

Pursuant to your request, an inventory of questions regarding new revenue options brought forth by the Budget Oversight Committee and the subsequent responses to the Committee is presented below for your consideration. Unless otherwise noted, Department of Financial Management staff conducted the research and provided the responses.

1. GENERAL REVENUE OPTION INFORMATION

A. What steps would be needed to establish or increase a tax?

Initial steps would include the development of ballot measure language, and research regarding which ballot measures may be most likely to succeed.

A full public discussion amongst proponents and opponents regarding the pros and cons of the ballot measures would need to be held, along with an impartial analysis provided by the City Attorney to provide further information to the community before the election.

B. What are the requirements for each type of tax?

Proposition 218 requires a two-thirds popular vote at either a special or general election for any tax whose proceeds are designated in advance for a particular use.

In contrast, a tax that would generate revenue that is not designated or restricted in its use can be approved with a simple majority voter approval, but can only be conducted during a general election.

A possible alternative to obtain a tax for a specific use and that only requires a majority vote would be to have a general tax measure on the same ballot with a non-binding advisory measure, the latter of which would indicate the voters' preference for how the general tax revenues should be spent. However, the City would not be legally required to spend the revenues in accordance with the voters' preference.

C. What are some examples of ballot language, which have been used to accompany a "general tax" measure to state the intent of the electorate regarding the use of the tax increase?

(Response provided by Heather A. Mahood, Assistant City Attorney)

As you are aware, the 2/3-vote requirement only applies to "special" taxes, i.e., those that are legally earmarked for a specific purpose. "General" taxes, i.e., taxes not legally earmarked for a specific purpose, only require a majority vote. A court decision has upheld the use of two parallel ballot measures, one of which is a general tax and one of which is an advisory measure. The ballot measures which were approved in that court case was:

"Measure A

This measure is not a tax. It is an advisory measure that states Santa Clara voters' intent that any new sales tax be spent on [a list of transportation improvements], that administrative expenses be limited to 0.5 percent of the funds, and that all projects be implemented within nine years."

"Measure B

This measure authorizes the enactment of a 1/2 cent retail transaction and use (sales) tax for general county purposes."

Since this ballot language has been specifically approved by the courts, the City Attorney's Office suggests that any proposed Long Beach ballot measure conform as close as possible to such language.

D. If we pass a general tax coupled with an advisory measure (i.e., suggesting an intent to spend the additional funds for fire facilities), can we issue bonds against this additional revenue?

(Response provided by Heather A. Mahood, Assistant City Attorney)

Bond counsel advises that a bond issue can be used to finance these facilities. Bonds (known as certificates of participation) can be issued which are backed by the City's General Fund, but are actually paid for by the additional revenue produced by the new tax.

E. What would be the timeline for initiating a tax proposal?

The City Council would need to adopt a resolution concerning the City's tax measures at least 88 days prior to the election date. It should be noted, however, that the Los Angeles County Registrar imposes an earlier internal 120-day administrative deadline to place a local measure on a County ballot. Therefore, a resolution would need to be adopted and application submitted on or before January 13, 2006 for the April 11, 2006 election.

F. Is there a greater success rate with a general tax as opposed to a special tax?

To answer this question with any certainty, an outside expert would need to be retained to fully explore the current situation in Long Beach. However, short of this analysis, there are several lessons learned, according to the Colman Advisory Group, a tax advisory resource for California cities that may be helpful to consider. There are many circumstances that can have bearing on the outcome of a local measure, including the effect of spurious issues and personalities in the community, local fiscal conditions and various levels of service, varying community philosophies of government, the amount of local activism and clear and competent communication from the City. The Colman Advisory Group also states that earmarking a tax for a special purpose may create additional challenges due to the required 2/3-voter approval rate.

G. Is there a greater success rate with a primary election vs. a general election?

The response to the above question applies to this question as well.

H. Is there a Taxi Tax at airports?

Various airports, such as Los Angeles, offer Taxicab services to the public. Taxi customers often pay a surcharge over and beyond the normal rate directly to the taxi company. This fee is neither a tax nor a user fee that accrues to the local jurisdiction. The purpose of the surcharge is to support managed curb service, direct costs and indirect costs of the taxi companies' at airports. A portion of the fee is directed back to the airport for the right to conduct business on airport property. Most large cities with an airport offer this service and are managed by the local taxicab commission. Examples of the surcharge include Los Angeles with \$2.50, San Francisco with \$2.00, Miami with \$2.00, Columbus with \$3.00, and Houston with \$1.25.

- I. The imposition of a new container tax on shipments through the Port would be unconstitutional. Why is the Pier Pass program permitted?**

(Response provided by Heather A. Mahood, Assistant City Attorney)

The Pier Pass program and its fees are not imposed by the City or the Port – they are imposed pursuant to a voluntary agreement between the terminal operators.

- J. Are there ideas for a container tax that could help mitigate the effects of the port traffic and/or pollution?**

A container tax specific to mitigating the effects of the port traffic and/or pollution could be used to help fund existing efforts already in place by the Harbor Department to reduce the impact of port activities on the environment. These efforts include the Healthy Harbor initiative launched in 2003 with the goal of enhancing air quality, water quality and wildlife habitats in Long Beach. On the heels of the Healthy Harbor initiative, the Green Port Policy was established in January 2005 to further define the principles and procedures necessary to make the environment a priority.

- K. At the City Council meeting on April 12, 2005, the Council unanimously supported Senator Lowenthal's bill SB 760, which would impose a fee on each shipping container processed in the Port of Long Beach to be used for port rail, air quality and security improvements. Councilmember Richardson asked whether the City of Long Beach could impose a similar fee.**

(Response provided by Robert E. Shannon, City Attorney)

The answer is yes, provided it is truly a fee and provided it satisfies the constitutional requirements discussed below. As we advised the Committee during the budget process last year, the United State Supreme Court has held that a local government cannot impose an ad valorem tax on containers for general revenue purposes. We have also previously advised the Committee that state and local governments can impose service fees and impact fees. Service fees and impact fees must not exceed the estimated cost of the service of impact or they may found to be taxes imposed for revenue purposes, which are subject to more stringent constitutional constraints.

In the Harbor District, the Board of Harbor Commissioners has exclusive jurisdiction to impose fees for harbor services and impacts. The Board imposes many different fees, including those for pilot services, docking facilities and wharf facilities. Some of these fees are assessed on a per-container basis. The Harbor Department also passes along to harbor-users harbor-related costs incurred by other City departments, including Police and Fire.

Outside the Harbor District, the City Council has jurisdiction to impose fees for services and impacts. To be constitutional, such a fee: (1) would relate to an activity with a substantial connection to Long Beach; (2) would not discriminate against interstate or international commerce; (3) would be fairly apportioned; (4) would be reasonable in the amount considering the cost of the service or impact; (5) would not result in multiple charges; and (6) would not conflict with federal law. The constitutional constraints on local regulation of interstate and international commerce are complex and fact-specific. This office would need to review the details of any fee proposals and determine how these factors have been applied by the courts in similar factual situations.

- L. The City Charter permits a transfer of ten percent (10%) of the Port's net income to the City's Tidelands Fund under certain circumstances. When was this Charter provision adopted?**

(Response provided by Heather A. Mahood, Assistant City Attorney)

Charter Section 1209, which permits this transfer, was added to the City Charter in 1980. A review of the ballot materials from that election reveals that this provision was added to the Charter without comment upon the intent behind the provision, except for the statement that the transfer would "help defray lifeguard and beach maintenance costs."

The first time that the City Council requested the ten percent (10%) transfer was in June of 1994. Since 1994, the City Council has requested this transfer each year.

- M. What is the procedure for amending the City Charter?**

(Response provided by Heather A. Mahood, Assistant City Attorney)

If the City Council desires to amend the Charter, the first step that is required by law is the adoption of a resolution putting the amendment on the next general election (or calling a special election specifically for the purpose of voting on the amendment).

Consistent City Council past practice has been to refer the matter to the Charter Amendment Committee (a committee comprised of the entire City Council) prior to the adoption of this resolution.

In the event that the proposed charter amendment receives approval of a majority of the voters, it will then become effective upon the certification of the results of the election.

2. FIRE ASSESSMENT

A. How much revenue would result from each percentage point increase?

Long Beach does not have a Fire Assessment tax. Based on a hypothetical rate of \$30-40 per parcel and an estimated total number of parcels at 102,969 (taxable), the tax would yield \$3.1 million to \$4.1 million annually (not adjusted for inflation). The following chart illustrates the effect of a \$1 increase from \$30-\$40 per parcel.

Parcel Rate	Revenue
\$30.00	\$3,089,070
\$31.00	3,192,039
\$32.00	3,295,008
\$33.00	3,397,977
\$34.00	3,500,946
\$35.00	3,603,915
\$36.00	3,706,884
\$37.00	3,809,853
\$38.00	3,912,822
\$39.00	4,015,791
\$40.00	4,118,760

As a matter of perspective, the Fire Department's FY 05 General Fund budget is \$71.2 million.

Multiple units (i.e., duplex, apartment complex, etc.) are calculated as a single parcel in the above calculation. According to the 2000 census, the actual number of residential units included in the 102,969 parcels is estimated at 170,000 units. An Assessment Engineer would need to be retained to calculate the exact number. Using the number of units as opposed to the number of parcels for this calculation would significantly affect the revenue estimate.

B. How many firefighters, support personnel and resources could be funded?

The average annual cost of a firefighter is \$93,151. Resource needs of the department include paramedic rescue units, infrastructure, technology support, and other support positions and equipment, most of which was identified and recommended in the TriData Fire Services Review Study. **Attachment A** is an illustrative list of resource needs that could be implemented with an annual Fire Assessment with receipts of \$4 million.

C. What would be the anticipated costs to residents for the Fire Assessment tax?

This tax is a flat tax and is based upon on an initial estimate of \$30-\$40 per parcel. However, a determination has not been made on whether the tax would remain constant among all parcels or should vary between residential and commercial parcels.

Additional Staff Comments: On November 2, 1993, California voters enacted Proposition 172, which established a permanent statewide half-cent sales tax for support of local public safety functions in cities and counties. The City of Long Beach received \$3,873,447 during FY 04 and estimates receiving \$3,793,000 in FY 05.

3. LIBRARY TAX

A. How much revenue would result?

Based on a hypothetical rate of \$25 per parcel and an estimated total number of parcels at 102,969, the following chart illustrates the effect of a \$1 increase above \$25-\$35:

Parcel Rate	Revenue
\$25.00	\$2,574,225
\$26.00	2,677,194
\$27.00	2,780,163
\$28.00	2,883,132
\$29.00	2,986,101
\$30.00	3,089,070
\$31.00	3,192,039
\$32.00	3,295,008
\$33.00	3,397,977
\$34.00	3,500,946
\$35.00	3,603,915

As a matter of perspective, the Library Services Department's FY 05 General Fund budget is \$12.7 million.

Multiple units (i.e., duplex, apartment complex, etc.) are calculated as a single parcel in the above calculation. According to the 2000 census, the actual number of residential units included in the 102,969 parcels is estimated to be 170,000 units. An Assessment Engineer would need to be retained to calculate the exact number. Using the number of units as opposed to the number of parcels for this calculation would significantly affect the revenue estimate.

B. What programs and services could be funded?

A Library Focus Group was recently convened to identify levels of service that could be supported by a Library Tax applied to the estimated 170,000 residential units. The Focus Group concluded that a hypothetical \$25 per parcel tax could generate \$4 million and fund or provide supplemental funding for standard operational levels in several areas. Based on their recommendations, library hours could be extended to 6 days/week for all neighborhood libraries and 7 days/week for the Main Library; 15 percent of operating funds could be allocated toward books, materials and electronic resources; and, the virtual library would remain state-of-the-art.

Any additional increase beyond \$25 per parcel would augment other services identified by the Library Focus Group such as literacy programs, community outreach and special events.

C. What would be the anticipated costs to residents?

This tax is a flat tax with an annual CPI increase and is based upon on hypothetical estimate of \$25 per parcel. However, a determination has not yet been made on whether the tax would remain constant among all parcels or should vary between residential and commercial parcels.

D. What measures were taken to obtain a passing vote in Oakland for the \$75/parcel Library Assessment Tax?

According to the Director of the Oakland Public Library, the following reasons helped contribute to the successful passage of the increased Library Assessment Tax in 2004:

- There was a strong feeling of support from a community that views library services as essential combined with a feeling that City Hall had not looked after the Library properly.
- Citizens felt that they needed to take charge.
- Oakland has a history of support for library funding, having passed a bond measure and also a special tax in the 1990s. (The Spring 2004 election was for an early renewal and an increase of an existing parcel tax. The original amount was \$36 per single family residential.)
- Citizens wanted better collections, better hours and more technology.
- The wealthier communities in the city felt a strong sense of social responsibility to improve the educational resources and opportunities for poorer neighborhoods.
- Strong support from the City Council and Mayor, which was evidenced in the unanimous vote to put the library tax measure on the ballot.

- Very strong grassroots support, including the city's youth, and support of the local newspapers.
- Broad-based outreach to community groups by staff, members of the Friends, the Library Commission and other advocates to explain the issues and the ballot measure.

4. UTILITY USER TAX (UUT)

A. How much revenue would result from each percentage point increase?

The current UUT rate is 5 percent, which is expected to generate approximately \$40.5 million in Fiscal Year 2005 (FY 05). An additional 1 percent increase would generate between \$7.5 million and \$8 million for the General Fund.

B. How many police officers, support personnel and resources could be funded with each percentage point?

Each percentage point would fund approximately 65 officers based on an average cost of \$115,000 per officer. It is important to remember, however, that the department's command staffing ratios would require one sergeant for every 8 officers added to the force. Furthermore, 1 lieutenant must be added for every 4 sergeants. It is estimated therefore that \$7.5 million dollars could fund only 2 lieutenants, 6 sergeants, 49 officers and their equipment, as well as non-sworn support staff.

C. What would be the anticipated costs to residents for each percentage point?

An increase in the UUT would affect electric, water, gas, and telephone rates. As a sample impact, an average residential gas bill is \$35.05 per month, which would increase by thirty-five cents per each UUT percentage point. Further research would be required to get an average cost for a typical resident for all UUT related bills and payments. If the combined bills total \$150 per month, then the total monthly increased cost would be \$1.50 per month or \$18 per year.

5. SALES TAX

A. How much revenue would result from each percentage point increase?

The current Sales Tax rate is 8.25 percent and is split between the State (6.0 percent), Los Angeles County Metropolitan Transportation Authority (1.00 percent), Los Angeles County (0.25 percent) and the City of Long Beach (1.00 percent). Long Beach is expected to generate \$40.4 million in FY 05 in Sales Tax revenue in FY 05. An additional 0.50 percent increase would generate approximately \$20 million for the General Fund.

B. What types of programs, services and staffing could be funded by an increase in Sales Tax?

Assuming the ballot language does not restrict the use of the revenue, Sales Tax revenue generated with such a ballot measure would be available to support general government programs, services and operations including public safety, library and youth programs.

C. What would be the anticipated costs to residents for each percentage point increase?

An additional increase in Sales Tax would increase the cost of taxable purchases made in the City, which would vary significantly for each resident. Visitors to the city would also contribute toward Sales Tax revenue.

D. Why is the Sales Tax Considered a Regressive Tax?

A regressive tax is where the proportion of income paid in taxes declines as income rises. That is, people with low incomes pay a higher percentage of their income in taxes than people with high incomes.

People with low incomes tend to spend a high percentage of the income they receive. At higher income levels, people begin to save larger portions of their income. A person is able to save part of their income only after they are able to take care of buying necessities like food, housing, clothing and medical care. Therefore, low-income consumers will spend most of their income while higher income consumers can begin to save more and more. Since a Sales Tax falls on income that consumers spend, and low-income people spend a larger part of their income, the Sales Tax falls more heavily on low-income consumers. This makes the tax regressive.

Some state and county agencies exempt food purchases from sales tax to make the tax less regressive, and include a large number of services in the tax base to make the tax more progressive.

E. Are consumers motivated to purchase items in cities that have a lower sales tax rate?

According to Mr. Jack Kyser, Los Angeles County Economic Development Corporation's chief economist, Long Beach would be extremely vulnerable to a sales loss if its retail sales tax rate were increased. Sales would likely be lost to: Signal Hill, Lakewood, Cerritos and Los Angeles, as our closest competitors for retail business.

6. TRANSIENT OCCUPANCY TAX (TOT)

A. How much revenue would result from each percentage point increase?

The current TOT rate is 12 percent applied to every hotel room night. Revenue from one-half, or six of the 12 percentage points, accrues to the General Fund, with the other half split between the Special Advertising and Promotions Fund and the Redevelopment Agency (for the hotels located in the Downtown Redevelopment Area). The TOT is expected to generate \$14.4 million citywide, with \$7.2 million for the General Fund in FY 05. It is estimated that each percentage point could increase the current level of TOT revenue by approximately \$1.2 million annually for the General Fund.

B. What types of programs, services and staffing could be funded by the TOT?

Additional TOT revenue may be used for any purpose, depending on ballot language, or to fund targeted economic development, public arts, and general government operations.

C. What would be the anticipated costs to residents and visitors for each percentage point?

The current average room rate in Long Beach is \$109. Using this as a baseline, it is estimated that each one percent increase would cost Long Beach visitors an additional \$1.09 per night, in addition to the \$13.08 for the 12 percent rate currently in effect. There will be no impact on residents unless they utilize hotel accommodations in the City.

7. PARKING LOT TAX

A. How much revenue would result for each percentage increase?

A Parking Lot Tax could be applied to all public and private parking lots located in the City. It could be applied as a percentage of the parking fee or as an ascending tax depending on the parking cost and length of time.

Parking lot operators would be required to collect the tax from parking lot occupants and remit the collections to the City. The annual revenue to be generated from a Citywide parking tax is estimated at \$1.5 to 2.2 million, assuming a 10 percent tax rate.

B. What types of programs, services and staffing could be funded by the Parking Lot Tax?

Revenue generated would be available to support general government programs, services and operations, depending on the ballot language used.

C. What would be the anticipated costs to residents and visitors for each dollar increase?

Long Beach does not currently have a Parking Lot Tax. Depending on the final amount approved, each resident or visitor would pay a 10 percent premium on their total parking costs or an ascending tax depending on the parking cost and length of time.

Additional Staff Comments:

- *Existing City contracts and leases with parking operators, and a few City Parking Garage Bonds, would have to be reviewed to evaluate the legality of such a tax and how the agreements might be affected.*
- *Other cities have parking lot taxes ranging from 10 percent in Los Angeles to 25 percent in San Francisco.*
- *Compliance is a known problem-area as many parking operations run on a cash basis, making it difficult to audit. Also, exemptions are also common for specified City lots, residential parking and long-term hotel residents. The City of Los Angeles collects approximately \$60 million per year from their tax.*
- *San Francisco also expressed problems with compliance. They designate this tax revenue to programs services for senior citizens, public transportation and their general fund. They collect approximately \$56 million per year.*
- *Chicago allows parking operators to retain 1 percent of the tax for administrative purposes.*

8. OIL PRODUCTION TAX

A. How much revenue would result from each one-cent increase?

The current tax is \$0.15 per barrel produced, which is expected to generate \$2.2 million in FY 05. Each additional one-cent would generate approximately \$150,000, based on current production. Oil fields have a limited life and therefore this tax should be assumed to reduce over time.

A benchmark survey conducted by the Oil Properties Department shows the following cities with oil production of 20 cents to 35 cents a barrel: Inglewood, Montebello, Huntington Beach, Santa Fe Springs and Beverly Hills.

B. What types of programs, services and staffing could be funded by the Oil Production Tax?

Revenue generated would be available to support general government programs, services and operations, depending on the ballot language used.

C. What would be the anticipated costs to residents for each one-cent increase?


Oil well operators producing oil in the City would pay this tax.

Should you require any further information, please do not hesitate to contact me at 8-6427.

MAK:DMW:kb

K:\Budget\FY05\BOC\June 21 Revenue Q & A Memo



Date: August 27, 2006
To: Budget Oversight Committee
From: Councilwoman Gerrie Schipske, Fifth District 
Subject: Proposed Items for Consideration in FY 2007 Budget

Attachment D

I respectfully request that the Budget Oversight Committee consider the following items for inclusion in the FY 2007 Budget:

- An audit of the City departments' utilization of telephone, electricity, water and natural gas services to determine whether : a) consumption can be reduced through aggressive conservation measures; b) electrical, water and gas meters are accurate; and c) the City is being appropriately billed by the providers of these services.
- The assignment of a City staff person with the responsibility of continued oversight of the City's energy, water and telephone usage and monitoring of charges by these providers to the City.
- In light of continued projected increases in the cost of electricity, the City should begin exploring the feasibility of: a) becoming a Community Aggregator; and b) increasing the purchase and/or production of "green energy" from renewal sources.
- An audit of all monies owed to the City and a calculation of the percentage of delinquent accounts collected each year to determine if collection efforts are aggressive enough.
- Ensure that any monies owed the fire, police or library departments go directly back to the operating budgets of these departments and not the general fund.
- A study concerning the feasibility of establishing a "joint powers authority" with other public employers in the Long Beach area (i.e. Long Beach Unified School District) which would administer a health benefits trust. This would allow the City to pool its monies with another or several public employers in order to increase purchasing power for health and prescription benefits for eligible employees.
- Explore utilization of redevelopment and CDBG funds to repair City fire stations.
- Provide "green collection" services for residents who want their lawn clippings recycled by the City. Explore the possibility of the City making compost from these clippings and selling the compost. (City of San Diego realized \$500,000 last year doing this.)
- Provide cross training of parking enforcement officers and code enforcement officers to increase efficiencies.

- **Establish an "Adopt a street" and "Adopt a library" program** that allows businesses to sponsor the repair of strategic streets in Long Beach and to sponsor library hours on Sundays.
- **Establish a Cost Reduction Employee Incentive Fund** that rewards innovative ideas or concepts that must result in identifiable, extraordinary savings to the City. The actual achieved cost savings over a full 12-month period would be used as the base to determine the amount of funds returned to the taxpayer, retained by a department, and awarded to the employee in accordance with a formula. Excluded ideas under this program include those that are a result of normal, progressive business evolution or obvious solutions to mandated budget cuts; result in cost avoidance or revenue enhancement; and have an adverse cost impact on other city departments.
- **Establish the gradual elimination of the pipeline permit fees ("right of way" fees) on city water and gas department pipelines and sewer lines.** These fees are being assessed by the City on City Water Department and Gas Department pipelines and sewer lines that run through the city and such funds are being placed in the City's general fund. In turn, the rates for water and gas and sewer are being increased to pay for these fees (among other charges). Currently, these fees are being challenged in the City of San Diego by the San Diego Taxpayers' Association.
- **Establish the funding of a program to assist homeowners in the El Dorado Park Estates area whose homes are being damaged by increasing groundwater seepage.** Such a program would include: a) the installation of pumping stations to remove water identified as blocked in the "perched groundwater table," and b) a no interest loan program that would be available to homeowners to make necessary repairs caused by such damage and to install individual "sump pumps" to remove water.
- **Establish a "50-50" sidewalk repair program that establishes the funding of repair of sidewalks on a 50-50 basis between the City and residents for those residents who do not want to wait to have the entire cost of the sidewalk repair borne by the City of Long Beach.** A portion of the "sidewalk repair" budget would be set aside for the "50-50" match program. Residents would be able to obtain the bids from three contractors and the City would select the lowest, qualified bidder (i.e. must be licensed and bonded and insured). A City Representative and Contractor meet to go over the work to be done. The contractor obtains an encroachment permit and any tree removal permits from the City free of charge. Work to be performed must be to the City of Long Beach and must be inspected and approved by the City inspector and completed within 45 days of a work order being issued. The property owner would deposit 1/2 of the estimate for the repair with the City before the work order is issued. The City would pay its portion directly to the contractor once work is completed and inspected.

**City of Long Beach
Budget Oversight Committee
Fiscal Year 2007
Schedule of Proposed Debt Repayments
from RDA to General Fund**

	Staff Proposed to RDA Board	BOC Recommendation
FY 07	\$ -	\$ 500,000
FY 08	\$ 696,685	\$ 1,000,000
FY 09	\$ 710,619	\$ 1,125,000
FY 10	\$ 724,831	\$ 1,250,000
FY 11	\$ 739,328	\$ 1,375,000
FY 12	\$ 754,115	\$ 1,500,000
FY 13	\$ 769,197	\$ 1,625,000
FY 14	\$ 784,581	\$ 1,750,000
FY 15	\$ 800,272	\$ 1,875,000
FY 16	\$ 816,278	\$ 2,000,000
FY 17	\$ 832,603	\$ 2,125,000

FY 18 and beyond*

* Note: there is no difference between the two proposals beginning in FY18, as both propose to make the maximum payment until the loans are fully repaid.